

UNITED STATES RACQUETBALL ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2013

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Racquetball Association, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States Racquetball Association, Inc. (Association)(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 conduct our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

INDEPENDENT AUDITORS' REPORT – CONTINUED

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Basis for Qualified Opinion

Due to the absence of internal controls and accounting records relating to the U.S. Open event, we were unable to obtain appropriate and sufficient audit evidence for the U.S. Open event's assets, liabilities, revenues and expenses during the year ended December 31, 2013. Consequently, we were unable to determine whether or not material adjustments may be needed relating to the U.S. Open event.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform proper tests and procedures on the Association's U.S. Open event, the financial statements referred to above present fairly, in all material respects, the financial position of United States Racquetball Association, Inc. 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.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2012 is derived from United States Racquetball Association, Inc.'s December 31, 2012, financial statements whose report dated November 13, 2013, expressed an unmodified opinion on those audited financial statements.

Other Matters

Additional information

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

Osborne, Parsons & Norcher LLP

Colorado Springs, Colorado
January 12, 2015

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
With Comparative Totals for 2012

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	\$ 409,997	\$ 263,877
Accounts receivable, net	4,776	42,008
Prepaid expenses	20,696	3,560
Inventory	-	5,566
Total current assets	435,469	315,011
Furniture and equipment, net	121,870	146,598
Other assets	1,720	1,870
	\$ 559,059	\$ 463,479

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 227,084	\$ 239,295
Accounts payable - related party	-	14,789
Accrued liabilities	14,631	14,851
Deferred revenue	83,089	37,441
Current portion of notes payable	4,583	5,000
Line of credit	5,000	-
Total current liabilities	334,387	311,376
Noncurrent liabilities		
Notes payable, net of current	-	5,000
Line of credit	-	25,000
Total noncurrent liabilities	-	30,000
	334,387	341,376
Net assets		
Unrestricted	210,381	91,373
Temporarily restricted	14,291	30,730
Total net assets	224,672	122,103
	\$ 559,059	\$ 463,479

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
Revenue				
Grants	\$ 50,000	\$ -	\$ 50,000	\$ 18,000
Contributions	97,475	-	97,475	58,074
In-kind donations	18,502	-	18,502	23,145
Membership dues	488,055	-	488,055	550,501
Entry fees	311,462	-	311,462	306,854
Sponsorships	402,298	-	402,298	404,907
National events	197,184	-	197,184	235,486
Sale of merchandise, net	14,982	-	14,982	6,504
Magazine	19,618	-	19,618	37,760
Royalties	4,687	-	4,687	99,715
Other	8,381	-	8,381	5,686
Total revenue	<u>1,612,644</u>	<u>-</u>	<u>1,612,644</u>	<u>1,746,632</u>
Net assets released from restrictions				
Program	16,439	(16,439)	-	-
Total net assets released	<u>16,439</u>	<u>(16,439)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,629,083</u>	<u>(16,439)</u>	<u>1,612,644</u>	<u>1,746,632</u>
Expense				
Program	1,312,629	-	1,312,629	1,585,382
Support				
Management and general	133,530	-	133,530	135,814
Fundraising	63,916	-	63,916	12,375
Total support	<u>197,446</u>	<u>-</u>	<u>197,446</u>	<u>148,189</u>
Total expense	<u>1,510,075</u>	<u>-</u>	<u>1,510,075</u>	<u>1,733,571</u>
Change in net assets	119,008	(16,439)	102,569	13,061
Beginning net assets	<u>91,373</u>	<u>30,730</u>	<u>122,103</u>	<u>109,042</u>
Ending net assets	<u>\$ 210,381</u>	<u>\$ 14,291</u>	<u>\$ 224,672</u>	<u>\$ 122,103</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 102,569	\$ 13,061
Adjustments to arrive at net cash from operating activities		
Noncash expense		
Depreciation	29,853	29,860
Obsolete inventory - write off	5,566	11,085
Changes in		
Accounts receivable, net	37,232	(9,354)
Prepaid expenses	(17,136)	1,940
Inventory	-	2,300
Other assets	150	580
Accounts payable	(12,211)	21,718
Accounts payable - related party	(14,789)	14,789
Accrued liabilities	(220)	(447)
Deferred revenue	45,648	(47,926)
Net cash provided by operating activities	<u>176,662</u>	<u>37,606</u>
Cash flows from investing activities		
Purchase of fixed assets	(5,125)	-
Net cash used by investing activities	<u>(5,125)</u>	<u>-</u>
Cash flows from financing activities		
Repayments on line of credit	(20,000)	(5,000)
Repayment of notes payable	(5,417)	-
Proceeds from line of credit	-	12,000
Proceeds from notes payable	-	10,000
Net cash (used) provided by investing activities	<u>(25,417)</u>	<u>17,000</u>
Change in cash	146,120	54,606
Beginning cash	<u>263,877</u>	<u>209,271</u>
Ending cash	<u>\$ 409,997</u>	<u>\$ 263,877</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are described below.

Organization - The United States Racquetball Association, Inc. (Association) is a nonprofit educational organization designed to foster the development of the sport of racquetball in the United States.

Tax-exempt status - The Association is a non-profit corporation determined tax-exempt under Internal Revenue Code Section 501(c)(3). As a result of this determination, the Association may accept tax-deductible charitable contributions and is exempt from income tax on income resulting from activities carried on to further its exempt purpose, as well as certain other specific types of income.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of financial statements - Information regarding financial position and activities is reported using three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association did not have any permanently restricted net assets as of December 31, 2013.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

Temporarily restricted contributions and grants are reported as unrestricted contributions if the restrictions are met in the same reporting period in which the contribution is received. Contributions and grants with unmet restrictions are reported as restricted at the end of the year. When a donor restriction is met, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Definition of cash - For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered, with the exception of funds held in investment accounts to facilitate trading activities, to be cash.

Accounts receivable - Accounts receivable are stated at the amount the Association expects to collect from balances outstanding a year-end. Management closely monitors outstanding receivables and establishes an allowance for doubtful accounts, based on its experience and current knowledge.

**UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and equipment - Property and equipment are carried at cost. Depreciation is provided on the straight-line basis over the estimated useful life of the asset. Assets having a useful life in excess of one year and cost \$500 or more are capitalized.

Membership dues - Membership dues consist of one-year and three-year registrations. One-year memberships and life-time memberships are recognized as revenue upon receipt. Three-year memberships are recognized ratably over the membership period.

Schedule of functional expense - The costs of providing various program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior-year comparisons - The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Reclassification - Certain prior-year amounts have been reclassified to conform to the current year presentation.

NOTE 1 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of:

Accounts receivable	\$ 9,197
Less allowance for doubtful accounts	(4,421)
	<u>\$ 4,776</u>

NOTE 2 – FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of:

	<u>Cost</u>	<u>Estimated lives</u>
Furniture and equipment	\$ 316,747	5-10 years
Less accumulated depreciation	(194,877)	
	<u>\$ 121,870</u>	

Depreciation expense for 2013 was \$29,853.

**UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expired August 15, 2014. The line of credit bears interest at 2.0% over prime with a minimum rate of 6%, and is collateralized by inventory, equipment and accounts receivable. \$5,000 was outstanding under this line of credit at December 31, 2013. Total cash paid for interest on this line of credit during the year December 31, 2013, was \$502.

NOTE 4 – NOTES PAYABLE

Notes payable consist of:

During 2012, the Association entered into two \$5,000 loan agreements. The loans require 24 monthly payments of \$209, which includes interest at 6%. The final two payments are to be made during the month of December in 2014.

\$ 4,583

Less current portion

(4,583)

\$ -

Total cash paid for interest the note during the year December 31, 2013, was \$416.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

	Beginning balance	Additions	Released	Ending balance
Scholarship fund	\$ 30,605	\$ -	\$ (16,314)	\$ 14,291
Disabled Wheelchair Racquetball	125	-	(125)	-
	\$ 30,730	\$ -	\$ (16,439)	\$ 14,291

NOTE 6 – RELATED PARTY TRANSACTIONS

In 2007, the Association entered into a content license agreement with the United States Olympic Committee. The Association received \$50,000 under this agreement for the year ended December 31, 2013.

Board members contributed \$2,300 to the Association during the year ended December 31, 2013.

The Association paid a board member \$14,209 for contract labor during the year ended December 31, 2013.

NOTE 7 – RETIREMENT PLAN

The Association sponsors a tax sheltered annuity pension plan. To be eligible to participate, an employee must have two years of continuous employment. Total pension expense for the year ended December 31, 2013, was \$12,758.

**UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – LEASES

Effective April 1, 2011, the Association entered into a three-year lease for office space. Under the terms of the lease, the Association is required to make monthly rent payments of \$2,114 through March 31, 2013. The lease was renewed through April 1, 2014.

In September 2011, the Association entered into a five-year lease for a copier, which requires monthly payments of \$233. In July 2012, the Association entered into a lease agreement for a postage meter, which requires monthly payments of \$86. On April 25, 2012, the Association entered into a five-year lease for a telephone system, which requires monthly payments of \$180. Total rent expense under the above leases amounted to \$25,522 for the year ended December 31, 2013. The Association rents other equipment for events under short term agreements.

Building and equipment	\$	25,522
Events		97,635
		\$ 123,157

Future minimum lease payments for the years ending December 31 are as follows:

2014	\$	12,588
2015		4,590
2016		3,192
2017		1,494
Total	\$	21,864

NOTE 9 – FOUNDATION – RELATED PARTY

During 2008, USA Racquetball Foundation (Foundation) was created for the sole and exclusive purpose of supporting United States Racquetball Association, Inc.. The Foundation’s main purpose was to provide financial assistance and support to the Association.

On June 1, 2013 the Foundation amended its articles of incorporation and broadened its purpose to promote and support the sport of racquetball within the United States, and to support the National Governing Body for the sport of racquetball.

NOTE 10 – INFORMATIONAL TAX RETURNS

The Association’s informational tax returns are subject to examination by taxing authorities for a period of three years from the date filed. As of December 31, 2013, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2015, the date on which the financial statements were available to be issued.

ADDITIONAL INFORMATION

UNITED STATES RACQUETBALL ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012

	Program	Management and general		Fundraising	2013	2012
	\$	\$	\$	\$	\$	\$
Salaries	230,822	30,866	6,710	268,398	305,694	41,981
Payroll taxes and benefits	29,211	3,906	849	33,966	41,981	347,675
	<u>260,033</u>	<u>34,772</u>	<u>7,559</u>	<u>302,364</u>	<u>347,675</u>	<u>347,675</u>
Contract labor	142,251	13,300	-	155,551	274,785	155,950
Rent	100,552	13,446	2,923	116,921	155,950	49,901
Discounts and rebates	52,714	-	-	52,714	110,416	102,798
Insurance	86,830	11,611	2,524	100,965	110,416	35,763
Awards	77,555	1,583	-	79,138	102,798	73,091
Printing	21,635	2,893	629	25,157	35,763	94,067
Meals, entertainment and housing	67,870	1,385	-	69,255	73,091	31,195
Tournament support	155,231	3,168	-	158,399	94,067	50,662
Miscellaneous	23,214	3,104	675	26,993	31,195	30,219
Travel	50,433	-	-	50,433	50,662	46,723
Supplies	21,237	2,871	624	24,732	30,219	28,499
Postage and shipping	16,207	2,167	471	18,845	30,731	28,768
Hospitality	33,468	683	-	34,151	46,723	29,860
Uniforms	27,082	-	-	27,082	28,499	25,233
Computer	34,686	4,638	1,008	40,332	28,768	58,148
Depreciation	25,674	3,433	746	29,853	28,768	12,477
Bank charges	-	25,002	-	25,002	29,860	16,211
Donations	49,072	-	-	49,072	25,233	13,171
Legal and accounting	6,766	4,285	226	11,277	58,148	48,655
In-kind expense	18,502	-	-	18,502	12,477	1,618
Utilities	11,435	1,529	332	13,296	16,211	6,198
Advertising	-	-	46,043	46,043	48,655	11,085
Memberships	-	2,025	-	2,025	1,618	1,175
Equipment lease	5,363	717	156	6,236	6,198	14,881
Inventory obsolescence	-	-	-	-	6,198	3,616
Interest	-	918	-	918	11,085	1,175
Banquet	14,518	-	-	14,518	1,175	14,881
Bad debt	10,301	-	-	10,301	14,881	3,616
Total 2013	<u>\$ 1,312,629</u>	<u>\$ 133,530</u>	<u>\$ 63,916</u>	<u>\$ 1,510,075</u>	<u>\$ 1,733,571</u>	<u>\$ 1,733,571</u>
Percent of total expenses - 2013	<u>86.92%</u>	<u>8.84%</u>	<u>4.23%</u>	<u>100.00%</u>		
2012 Total	<u>\$ 1,585,382</u>	<u>\$ 135,814</u>	<u>\$ 12,375</u>	<u>\$ 1,733,571</u>	<u>\$ 1,733,571</u>	<u>\$ 1,733,571</u>