



UNITED STATES RACQUETBALL ASSOCIATION, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019

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, 2019, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 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 qualified audit opinion.

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 sufficient appropriate audit evidence about the U.S. Open event's assets, liabilities, revenues, and expenses during the year ended December 31, 2019. Consequently, we were unable to determine whether material adjustments may be needed relating to the U.S. Open event. Accordingly, the effects of any potential misstatements on the financial statements have not been determined because it was not practicable to do so.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

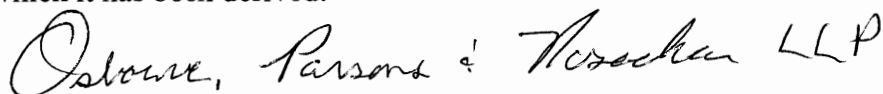
Emphasis of Matter

Adoption of New Accounting Standards

As discussed in the notes to the financial statements, in 2019 United States Racquetball Association, Inc. adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated November 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Colorado Springs, Colorado
November 12, 2020

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
With Comparative Totals for 2018

	ASSETS	
	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 341,540	\$ 432,294
Accounts Receivable	54,820	19,885
Promises to Give	8,000	2,500
Prepaid Expenses	8,490	18,473
Total Current Assets	412,850	473,152
Non-Current Assets		
Intangible Assets, Net	1,250	2,917
Goodwill, Net	23,251	26,158
Other Assets	-	1,600
Total Non-Current Assets	24,501	30,675
Total Assets	\$ 437,351	\$ 503,827
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 226,089	\$ 208,062
Accrued Expenses	3,051	914
Deferred Revenue	191,214	205,520
Current Portion of Long-Term Debt	9,600	9,600
Total Current Liabilities	429,954	424,096
Non-Current Liabilities		
Long-Term Debt, Net of Current Portion	7,200	16,800
Unamortized Discount	(890)	(2,194)
Total Non-Current Liabilities	6,310	14,606
Total Liabilities	436,264	438,702
Net Assets		
Without Donor Restrictions	(21,058)	47,809
With Donor Restrictions	22,145	17,316
Total Net Assets	1,087	65,125
Total Liabilities and Net Assets	\$ 437,351	\$ 503,827

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
With Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenue and Support				
USOPC Support	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Grants and Contributions	46,999	9,579	56,578	52,674
In-Kind Contributions	18,430	-	18,430	11,535
Membership Dues	348,445	-	348,445	387,821
Entry Fees	315,896	-	315,896	309,711
Other Fees	48,991	-	48,991	53,540
Sponsorships	338,286	-	338,286	349,295
National Events	153,560	-	153,560	147,640
Sale of Merchandise, Net	137	-	137	657
Magazine	6,467	-	6,467	4,657
Royalties	151	-	151	-
Other Revenue	8,349	-	8,349	2,758
Interest Income	5	-	5	5
Net Assets Released				
From Restrictions				
Satisfaction of				
Program Restrictions	2,250	(2,250)	-	-
Total Revenue and Support	1,337,966	7,329	1,345,295	1,370,293
Expenses and Loss				
Program Services	1,236,683	-	1,236,683	1,219,351
Supporting Services				
General and Administrative	149,156	-	149,156	143,258
Fundraising	20,994	-	20,994	21,306
Total Expenses	1,406,833	-	1,406,833	1,383,915
Loss on Uncollectable				
Promises to Give	-	2,500	2,500	-
Total Expenses and Loss	1,406,833	2,500	1,409,333	1,383,915
Change in Net Assets	(68,867)	4,829	(64,038)	(13,622)
Net Assets at				
Beginning of Year - Restated	47,809	17,316	65,125	78,747
Net Assets at End of Year	\$ (21,058)	\$ 22,145	\$ 1,087	\$ 65,125

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2019
With Comparative Totals for 2018

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 161,195	\$ 21,555	\$ 4,686	\$ 187,436	\$ 165,885
Payroll Taxes and Benefits	40,112	5,364	1,166	46,642	29,200
Total Personnel Costs	<u>201,307</u>	<u>26,919</u>	<u>5,852</u>	<u>234,078</u>	<u>195,085</u>
Tournament Support	195,094	3,982	-	199,076	167,246
Office and Facilities Rent	103,557	13,848	3,010	120,415	135,061
Contract Labor	101,542	9,493	-	111,035	116,241
Awards	97,700	1,994	-	99,694	81,840
Accounting Fees for Service	42,465	26,895	1,416	70,775	55,527
Insurance	49,905	6,673	1,451	58,029	59,273
Travel	54,620	-	-	54,620	57,296
Miscellaneous	46,045	6,157	1,339	53,541	53,203
Hospitality	51,889	1,059	-	52,948	69,694
Meals and Lodging	47,609	972	-	48,581	23,514
Printing	31,307	4,186	910	36,404	38,669
Discounts and Rebates	33,001	-	-	33,001	61,257
Conferences and Meetings	30,663	626	-	31,289	29,287
Player Premiums	30,256	-	-	30,256	34,635
Technology	24,625	3,293	716	28,634	31,370
Bank Charges	-	27,187	-	27,187	30,551
Donations	19,312	-	-	19,312	14,354
Postage and Shipping	15,447	2,066	449	17,962	23,715
National Team Expense	15,981	-	-	15,981	18,849
Supplies	10,672	1,427	310	12,409	16,561
Coach, Trainer, and Athlete Support	10,424	-	-	10,424	14,976
In-Kind Advertising Expense	10,160	-	-	10,160	11,535
Utilities	7,187	961	209	8,357	11,365
Advertising	-	-	5,176	5,176	5,714
Dues and Subscriptions	-	4,789	-	4,789	1,234
Depreciation and Amortization	3,935	526	114	4,575	5,834
Bad Debt	-	4,000	-	4,000	1,475
Legal Fees for Service	1,261	799	42	2,102	11,370
Interest	-	1,304	-	1,304	1,640
WOR Expense	719	-	-	719	1,156
Broadcasting	-	-	-	-	4,388
Total Expense - 2019	<u><u>\$ 1,236,683</u></u>	<u><u>\$ 149,156</u></u>	<u><u>\$ 20,994</u></u>	<u><u>\$ 1,406,833</u></u>	
Percent of Total - 2019	<u>88%</u>	<u>11%</u>	<u>1%</u>	<u>100%</u>	
Total Expense - 2018	<u><u>\$ 1,219,351</u></u>	<u><u>\$ 143,258</u></u>	<u><u>\$ 21,306</u></u>		<u><u>\$ 1,383,915</u></u>
Percent of Total - 2018	<u>88%</u>	<u>10%</u>	<u>2%</u>		<u>100%</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Totals for 2018

	2019	2018
Cash Flows From Operations		
Change in Net Assets	\$ (64,038)	\$ (13,622)
Adjustments to Arrive at Net Cash Used by Operating Activities:		
Depreciation	-	1,260
Amortization	4,574	4,573
Imputed Interest Expense	1,304	1,640
Bad Debt Expense	719	-
Loss on Uncollectible Promises to Give	2,500	-
Change in:		
Accounts Receivable	(38,154)	(7,205)
Promises to Give	(5,500)	2,500
Promises to Give - Related Party	-	2,500
Prepaid Expense	9,983	(2,890)
Other Assets	1,600	-
Accounts Payable	18,027	30,930
Accrued Expenses	2,137	(3,333)
Deferred Revenue	(14,306)	(52,557)
Net Cash Used by Operating Activities	(81,154)	(36,204)
 Cash Flows From Financing Activities		
Principal Payments on Notes Payable	(9,600)	(9,600)
Net Cash Used by Financing Activities	(9,600)	(9,600)
 Net Change in Cash and Cash Equivalents	(90,754)	(45,804)
 Beginning Cash and Cash Equivalents	432,294	478,098
 Ending Cash and Cash Equivalents	\$ 341,540	\$ 432,294

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. The Association's sources of revenue and support are predominantly in membership dues, sponsorships, and event entry fees with other support being generated through national events, contributions and grants, and other sources.

Cash and Cash Equivalents - 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 is stated at the amount the Association expects to collect. Management closely monitors outstanding receivables and establishes an allowance for doubtful accounts based on its experience and current knowledge. Management has determined that no allowance was necessary as of December 31, 2019.

Promises to Give – 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-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

The Association uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management analysis of specific promises made.

Property and Equipment – The Association capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Association reclassifies net assets with restrictions to net assets without restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets – Continued

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Membership Dues - Membership dues consist of one-year, three-year, and lifetime memberships. Lifetime memberships are recognized as revenue upon receipt. One-year and three-year memberships are recognized ratably over the membership period.

Contributed Services – The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association, but these services do not meet the criteria for recognition as contributed services.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Tax-exempt Status - The Association is a nonprofit 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 furthering its exempt purpose, as well as certain other specific types of income.

Management believes that based on evaluation of its tax position, any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in the tax laws, and new authoritative rulings to assist in evaluating its tax position. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax position.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Goodwill – The Association acquired goodwill in connection with a note issued for the purchase of intangible assets during 2017. In 2018, the Association adopted the accounting alternative for goodwill available to nonprofit organizations under FASB ASC 350-20. Accordingly, the Association began amortizing goodwill prospectively as of January 1, 2018, on a straight-line basis over 10 years. The Association evaluates goodwill for impairment at the asset level when a triggering event occurs that indicates that the fair value of the asset may be below its carrying amount. When a triggering event occurs, the Association first assesses qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Association performs the quantitative test to compare the asset's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the asset over its fair value.

No triggering events occurred during the year ended December 31, 2019, that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2019.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset 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 (GAAP). Accordingly, such information should be read in conjunction with the Association's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Advertising Costs - All advertising costs are expensed when incurred. Advertising expense for 2019 was \$15,336.

Reclassification - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements as a result of implementing ASU 2014-09 to maintain consistency between periods presented. The reclassifications resulted in restatements of previously reported net assets.

New Accounting Pronouncements – In 2019, the Association adopted FASB Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The effect of this change was to increase 2019 revenue and deferred revenue by \$9,723 and \$125,823, respectively, and decrease 2019 unrestricted net assets by \$141,037. The financial statements for 2018 have been retroactively restated for the change, which resulted in an increase in revenue and deferred revenue for 2018 of \$14,236 and \$141,037, respectively, and a decrease in 2018 unrestricted net assets by \$141,037. Net assets as of January 1, 2018, has been adjusted for the effect of retroactive application of the new standard.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional and, as a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019.

NOTE 1 – GOING CONCERN MATTERS

As shown in the accompanying financial statements, during the year ended December 31, 2019 the Association incurred a decrease in net assets of \$64,038, and decreased beginning net asset balances by \$141,037 in order to adopt ASU 2014-09, resulting in ending net assets of \$1,087. With donor restricted net assets of \$22,145, total net assets without donor restrictions reflect a deficit balance of \$21,058. Furthermore, the COVID-19 pandemic may impact the ability of the Association to generate revenue from event entry fees and memberships, and from donors and sponsors, which make up approximately 60% and 30% of annual revenue. These circumstances create an uncertainty about the Association's ability to continue as a going concern.

Management and the Board of Directors have evaluated the Association's ability to continue as a going concern, and the following plans suggest that the Association will continue to be a going concern for the foreseeable future, at least one year beyond the date the financial statements are available to be issued.

Subsequent to the year ended December 31, 2019, the Association implemented plans for continued operations, which consisted of changes to expand revenues, to reduce expenses, and to obtain working capital through loans and grants. The results of these plans and actions are regularly monitored and are reviewed monthly by management and the board.

The Association's plans include the following:

- During June of 2020, total staff was reduced by one full-time position and the remaining staff members and management received reductions in pay. These steps are anticipated to result in savings of around 23% - 24% in overall payroll costs.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – GOING CONCERN MATTERS – Continued

- Subsequent to the year ended December 31, 2019, and as a result of the COVID-19 pandemic, the Association increased efforts to obtain contributions, and has secured and received approximately \$140,000 through the date the financial statements are available to be issued, an increase of approximately \$110,000 over the same timeline for the year ended December 31, 2019.
- As a result of the COVID-19 pandemic and the Paycheck Protection Program, the Association received a loan from the U.S. Small Business Administration in an amount totaling approximately \$50,000. The funds from this loan are subject to forgiveness within the parameters of the program.
- The Association received an Economic Injury Disaster Loan from the U.S. Small Business Administration in an amount totaling approximately \$150,000.
- The Association received a loan through the Colorado Springs Survive and Thrive program in an amount totaling approximately \$25,000.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The Association has \$404,360 of financial assets available within one year of the balance sheet date consisting of cash and cash equivalents of \$341,540, accounts receivable of \$54,820, and promises to give of \$8,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The promises to give are subject to time restrictions but will be collected within one year. The Association has a goal to maintain financial assets, which consist of cash and cash equivalents on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$100,000. The Association also has a \$25,000 line of credit available to meet cash flow needs.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Checking Accounts	\$ 336,681
Money Market Accounts	4,859
Total Cash and Cash Equivalents	<u>\$ 341,540</u>

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

NOTE 4 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of:

	<u>Cost</u>	<u>Estimated Lives</u>
Furniture and Equipment	\$ 320,441	5 -10 Years
Less Accumulated Depreciation	(320,441)	
Net Furniture and Equipment	<u>\$ -</u>	

There was no depreciation expense in 2019.

NOTE 5 – INTANGIBLE ASSETS

Intangible assets consist of:

	<u>Assigned Cost</u>	<u>Amortization Period</u>
Database	\$ 5,000	3 Years
Less Accumulated Amortization	(3,750)	
Net Intangible Assets	<u>\$ 1,250</u>	

Amortization expense for 2019 was \$1,667.

NOTE 6 – GOODWILL

Goodwill consists of:

	<u>Assigned Cost</u>	<u>Amortization Period</u>
Goodwill	\$ 29,064	10 Years
Less Accumulated Amortization	(5,813)	
Net Intangible Assets	<u>\$ 23,251</u>	

Amortization expense for 2019 was \$2,906. Amortization of goodwill is expected to be \$2,906 annually for each of the eight succeeding years.

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

NOTE 7 – NOTES PAYABLE

Noninterest bearing note payable issued in connection with the purchase of World Outdoor Racquetball, payable in 48 monthly installments of \$800, maturing September 1, 2021. Discount is based on imputed interest rate of 6%. Imputed interest expense was \$1,304 for 2019.

\$ 16,800

Unamortized Discount on Note

(890)

Total Notes Payable - Less Unamortized Discount on Note

15,910

Less Current Portion

(9,600)

\$ 6,310

Principal payments for years subsequent to December 31, 2019, are:

December 31,

2020

\$ 9,600

2021

7,200

Unamortized Discount on Note

(890)

\$ 15,910

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released</u>	<u>Loss on Uncollected Promise to Give</u>	<u>Ending Balance</u>
Scholarship Fund	\$ 14,816	\$ 1,579	\$ (2,250)	\$ -	\$ 14,145
Time Restrictions	2,500	8,000	-	(2,500)	8,000
	<u>\$ 17,316</u>	<u>\$ 9,579</u>	<u>\$ (2,250)</u>	<u>\$ (2,500)</u>	<u>\$ 22,145</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

In 2007, the Association entered into a content license agreement with the United States Olympic and Paralympic Committee. The Association received \$50,000 under this agreement for 2019.

Board members contributed \$6,000 to the Association during 2019.

During 2019, the Association paid \$96,815 to four vendors which were owned by board members.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank that will renew annually. The line of credit bears interest at 2.0% over prime with a minimum rate of 5.25% and is unsecured. This line of credit did not have an outstanding balance at December 31, 2019, and no cash was paid for interest on this line of credit during 2019.

NOTE 11 – RETIREMENT PLAN

The Association sponsors a tax-sheltered annuity pension plan (the Plan). To be eligible to participate, an employee must have two years of continuous employment. The only participant in the Plan left the Association in 2017 and no other employees were eligible or chose to participate during 2019. As a result, the Association did not incur any pension expense for 2019.

NOTE 12 – LEASES

In January 2019, the Association entered into a thirty-six-month lease for office and storage space from January 1, 2019 through December 31, 2021. The lease provides for monthly rent payments of \$571 and includes \$8,271 of donated rent expenses for each year of the agreement.

In December 2014, the Association entered into a five-year lease for a copier, which requires monthly payments of \$350.

The Association rents storage space on a month-to-month basis for \$315.

Rent expenses under the above leases totaled \$16,507 for the year ended December 31, 2019. The Association rents other equipment for events under short term agreements. Facility rentals for 2019 were \$97,886.

Future minimum lease payments for the years subsequent to December 31, 2019, are as follows:

<u>December 31,</u>	
2020	\$ 6,849
2021	6,849
	<u>\$ 13,698</u>

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Cash deposits at a financial institution regularly exceed the federally insured limit of \$250,000. The Association has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risks. As of December 31, 2019, there was an uninsured balance of \$37,646.

NOTE 14 – CONCENTRATIONS OF REVENUE

During 2019, membership dues accounted for 26%, sponsorships accounted for 25%, and entry fees accounted for 24% of total revenue and support.

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NOTES TO FINANCIAL STATEMENTS

NOTE 15 – DONATED PROFESSIONAL SERVICES

The Association received donated professional services for internet advertising that totaled \$10,160 during the year ended December 31, 2019, all of which is allocated to program expense.

The Association also rents an office space below fair market value the difference of which is recognized as a donated service. See Note 12.

NOTE 16 – ALLOCATION OF FUNCTIONAL EXPENSE

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, and contract labor which are allocated on the basis of estimates of time and effort, as well as office and facilities rent, insurance, depreciation and amortization, and professional services which are allocated on the basis of actual utilization.

NOTE 17 – 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, 2019, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2020, the date on which the financial statements were available to be issued.

Coronavirus (COVID-19) Pandemic

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. have declared a state of emergency. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on our staff, investments, and contributors, none of which can be reasonably predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain (See Note 1).