

**UNITED STATES RACQUETBALL
ASSOCIATION, INC.**

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2011.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of United States Racquetball Association, Inc. (a nonprofit corporation) 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 Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Association's December 31, 2010 financial statements and, in our report dated May 13, 2011, we expressed an unqualified opinion on those financial statements.

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 United States Racquetball Association, Inc. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of program services and supporting services on pages 12 and 13 are presented for purposes of additional analysis and are 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.

Wang & Goodwin, LLP
May 14, 2012

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Statement of Financial Position

December 31, 2011

(With Comparative Amounts for 2010)

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 195,234	\$ 241,407
Accounts receivable, net	32,654	56,010
Prepaid expenses	7,950	15,798
Inventory	<u>18,951</u>	<u>27,664</u>
Total current assets	254,789	340,879
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	61,079	60,408
Portable courts	414,210	414,210
Less accumulated depreciation	<u>(298,831)</u>	<u>(268,868)</u>
Furniture and equipment, net	176,458	205,750
OTHER ASSETS:		
Investments	<u>14,037</u>	<u>14,132</u>
Total other assets	<u>14,037</u>	<u>14,132</u>
TOTAL ASSETS	<u>\$ 445,284</u>	<u>\$ 560,761</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 217,577	\$ 221,588
Accrued liabilities	15,298	17,083
Due to related parties		6,840
Line of credit	18,000	25,000
Deferred revenue	<u>85,367</u>	<u>91,093</u>
Total current liabilities	336,242	361,604
NET ASSETS:		
Unrestricted	77,812	167,291
Temporarily restricted	<u>31,230</u>	<u>31,866</u>
Total net assets	<u>109,042</u>	<u>199,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 445,284</u>	<u>\$ 560,761</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
REVENUE:				
Membership dues	\$ 592,045	\$	\$ 592,045	\$ 621,066
Entry fees	324,816		324,816	332,370
Corporate sponsorship	240,090		240,090	257,429
National events	183,634		183,634	158,580
Racquetball magazine	81,077		81,077	88,084
Royalties	60,608		60,608	56,331
Contributions	50,365	962	51,327	67,292
Miscellaneous income	37,284		37,284	36,613
Merchandise sales	20,273		20,273	18,387
Less cost of goods sold	(8,580)		(8,580)	(13,629)
Value in-kind revenue	18,850		18,850	16,106
USOC marketing agreements	18,000		18,000	18,000
Fundraising campaign	3,909		3,909	5,885
Investment income		214	214	190
Satisfaction of program restrictions	<u>1,812</u>	<u>(1,812)</u>		
Total revenue	1,624,183	(636)	1,623,547	1,662,704
EXPENSES:				
Program services:				
National events	888,331		888,331	809,976
Membership	213,420		213,420	229,180
Development programs	207,413		207,413	267,393
Racquetball magazine	195,235		195,235	215,165
International events	<u>27,814</u>		<u>27,814</u>	<u>39,565</u>
Total program services	1,532,213		1,532,213	1,561,279
Supporting services:				
National office	109,445		109,445	183,955
Fundraising	38,163		38,163	38,170
Board of Directors	<u>33,841</u>		<u>33,841</u>	<u>37,365</u>
Total supporting services	<u>181,449</u>		<u>181,449</u>	<u>259,490</u>
Total expenses	<u>1,713,662</u>		<u>1,713,662</u>	<u>1,820,769</u>
CHANGE IN NET ASSETS	(89,479)	(636)	(90,115)	(158,065)
NET ASSETS, beginning of year	<u>167,291</u>	<u>31,866</u>	<u>199,157</u>	<u>357,222</u>
NET ASSETS, end of year	<u>\$ 77,812</u>	<u>\$ 31,230</u>	<u>\$ 109,042</u>	<u>\$ 199,157</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Statement of Cash Flows

December 31, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (90,115)	\$ (158,065)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	29,963	31,527
(Increase) decrease in assets:		
Accounts receivable	23,356	(21,083)
Inventory	8,713	1,754
Prepaid expenses	7,848	(8,556)
Increase (decrease) in liabilities:		
Accounts payable	(10,851)	97,090
Accrued liabilities	(1,785)	(4,967)
Deferred revenue	<u>(5,726)</u>	<u>(16,136)</u>
Total adjustments	<u>51,518</u>	<u>79,629</u>
Net cash used by operating activities	(38,597)	(78,436)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(671)	
Decrease in investments	<u>95</u>	<u>1,504</u>
Net cash provided (used) by investing activities	(576)	1,504
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in line of credit	<u>(7,000)</u>	<u>25,000</u>
Net cash provided (used) by financing activities	<u>(7,000)</u>	<u>25,000</u>
NET DECREASE IN CASH	(46,173)	(51,932)
CASH AND CASH EQUIVALENTS, beginning of year	<u>241,407</u>	<u>293,339</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 195,234</u>	<u>\$ 241,407</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Association 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 Association's income tax returns.

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

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Equipment is depreciated using the straight-line method over useful lives of 5 to 10 years. Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$29,963 and \$31,527, respectively.

Membership Dues

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount the Association expects to collect from balances outstanding a year-end. Based on the Association's experience with individuals and businesses having outstanding balances, it has recorded an allowance for doubtful accounts of \$5,000 and \$15,000 for the years ended December 31, 2011 and 2010, respectively.

Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

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 assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions.

The Association receives a substantial amount of services donated by individuals in carrying out its programs. In accordance with requirements of FASB ASC 958, no amounts have been reflected in the financial statements for those services.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts.

Inventory

Inventory consists of racquets, balls, clothing, gift service items and videotapes and is valued at the lower of cost or market.

Supplemental Cash Flow Disclosures

For purposes of the statements of cash flows, cash and cash equivalents are defined as demand deposits and short-term investments with an initial maturity of three months or less.

Cash flows from operating activities reflect interest paid of \$1,196 and \$429 for the years ended December 31, 2011 and 2010, respectively.

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 revenues and expenses. Actual results could differ from those estimates.

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, 2010, from which the summarized information was derived.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 14, 2012, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Association 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 MEASUREMENTS - Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association 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 and 2010:

Assets at Fair Value as of December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 14,037	_____	_____	\$ 14,037
	<u>\$ 14,037</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 14,037</u>

Assets at Fair Value as of December 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 10,996	\$ _____	\$ _____	\$ 10,996
Bonds	3,136	_____	_____	3,136
	<u>\$ 14,132</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 14,132</u>

C. LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 15, 2012. The line of credit bears interest at 2.0% over prime with a minimum rate of 6%, and is secured by inventory and equipment. \$18,000 was outstanding under this line of credit at December 31, 2011. Total interest paid during the year December 31, 2011 on this line of credit was \$1,196.

Notes to Financial Statements

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Scholarship fund	\$ 31,105	\$ 31,741
Disabled Wheelchair Racquetball	<u>125</u>	<u>125</u>
	<u>\$ 31,230</u>	<u>\$ 31,866</u>

The scholarship fund represents contributions restricted by the donors for use in the scholarship program.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2011 and 2010, net assets were released from restrictions by satisfying the following purposes:

	<u>2011</u>	<u>2010</u>
Scholarship fund	\$ 1,812	\$ 1,705
National Adult Team	<u></u>	<u>7,681</u>
	<u>\$ 1,812</u>	<u>\$ 9,386</u>

E. RELATED PARTY TRANSACTIONS

In 2007, the Association entered into a content license agreement with the United States Olympic Committee. The Association received \$18,000 under this agreement during each of the years ended December 31, 2011 and 2010.

During the year ended December 31, 2010, two members of the Board of Directors loaned the Association funds. The amount outstanding for each loan was \$3,420 as of December 31, 2010. During the year ended December 31, 2011, these loans were repaid in full.

F. RETIREMENT PLAN

The Association sponsors a tax sheltered annuity pension plan. To be eligible, an employee must have two years of continuous employment. Total pension expense for the years ended December 31, 2011 and 2010 was \$19,498 and \$20,935, respectively.

Notes to Financial Statements

G. LEASES

Effective April 1, 2010, 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 \$2,022 through March 31, 2012 and \$2,114 through March 31, 2013. In September 2010, the Association entered into a five year lease for a copier which requires monthly payments of \$233. In July 2011, the Association entered into a lease agreement through September 2016 for a postage meter which requires monthly payments of \$54 through December 2011, and \$85 a month through September 2016. In April 25, 2012, the Association entered into a five-year lease for a telephone system which will require monthly payments of \$180.

During the year ended December 31, 2011, the Association also leased, on a month-to-month basis, a phone system for \$234 per month and storage units for \$147 per month through April, and \$159 per month from May through December.

Total rent expense under these leases amounted to \$31,781 and \$28,867 for the years ended December 31, 2011 and 2010, respectively.

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

2012	\$	30,172
2013		12,322
2014		5,980
2015		5,048
2016		2,928
Thereafter		900

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Schedule of Program Services

For the Year Ended December 31, 2011

	National Events	Membership	Development Programs	Racquetball Magazine	International Events	Total
	\$	\$	\$	\$	\$	\$
Advertising	6,574	242				6,816
Agency discount	24,725		3,514	34,238		34,238
Airfare	81,069	2,000	618		7,273	35,512
Athlete support	11,725	14,355	953		4,000	4,000
Awards	6,992			383	49	83,687
Bank charges	15,853					27,465
Banquet	5,250	21,349	2,188	595	70	6,992
Charities & grants	163,638	13,332	24,526	9,109		15,853
Computer	43,373		695			29,452
Contract labor	83					210,605
Contract rentals	631	355				44,068
Decorating	553					83
Duplication	9,442		2,098		5	986
Gifts & protocol	38,337		378		216	2,656
Ground transportation	18,763	47,029	9,574	7,712	1,180	10,036
Hospitality	406	267	132	167	10	38,337
Insurance	2,217	1,456	722	6,018	56	84,258
Interest	43,778		11,340		7,085	10,469
Legal & accounting	17	8,426	6	7	200	62,203
Meals, entertainment & housing	18,051	1,105	5,905	320	1,100	8,656
Memberships	3,050					26,481
Other expenses	12,250	6,519	1,377	1,150		4,200
Photography	9,961	1,082	431	17,666	617	38,429
Postage	1,943	590	3,335	61,819	10	73,303
Printing & copies	21,995					5,868
Promotions	80,748	7,238	9,591	4,537	279	21,995
Referee payments	551	1,893	46			102,393
Rent & lease	105,675	69,240	34,353	58	4	2,552
Repairs & maintenance	6,625	4,350	2,158	43,397	2,669	255,334
Salaries	31,853		88,068	2,726	168	16,027
Retirement	38,788		814			88,068
Rebates	8,396	1,085	833	767	1,400	34,067
Apparel & uniforms	4,657	5,513	2,735	3,455	259	41,732
Supplies	130	1,944	500	610	213	20,312
Taxes	58,558	85	42	53	139	7,850
Tournament support	1,088	715	356	448	3	313
Utilities	10,586	3,250	125		28	58,558
Value in-kind expenses					781	2,635
	<u>\$ 888,331</u>	<u>\$ 213,420</u>	<u>\$ 207,413</u>	<u>\$ 195,235</u>	<u>\$ 27,814</u>	<u>\$ 1,532,213</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2011

	National Office	Fundraising	Board of Directors	Total
Airfare	\$	\$ 416		\$ 416
Bad debt	3,694			3,694
Bank charges	529	279	128	936
Computer charges	249	310	461	1,020
Contract labor	41,950	350		42,300
Depreciation	29,963			29,963
Employee benefits	23			23
Gifts & protocol		743	10	753
Ground transportation		94		94
Hospitality			222	222
Insurance	3,225	4,023	5,636	12,884
Interest	70	87	56	213
Legal & accounting	492	630	5,321	6,443
Meals, entertainment & housing		465	2,291	2,756
Memberships	3	4	2	9
Other expenses	5,435	63		5,498
Postage	126	312	225	663
Printing & copies	69	806	56	931
Promotions		275		275
Property tax	85			85
Rent & lease	1,898	2,366	1,513	5,777
Repairs & maintenance	24	30	19	73
Retirement	1,140	1,422	909	3,471
Salaries & wages	18,150	22,641	14,471	55,262
Supplies	411	464	150	1,025
Taxes	1,445	1,803	1,152	4,400
Telephone	255	318	1,052	1,625
Trash	22	28	18	68
Utilities	187	234	149	570
	<u>\$ 109,445</u>	<u>\$ 38,163</u>	<u>\$ 33,841</u>	<u>\$ 181,449</u>