

**UNITED STATES RACQUETBALL  
ASSOCIATION, INC.**

**Financial Statements &  
Supplemental Schedules**

**For the Year Ended December 31, 2009**

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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, 2009, 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, 2008 financial statements and, in our report dated May 4, 2009, 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, 2009, 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 basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Waugh & Goodwin, LLP*

May 20, 2010

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Statement of Financial Position  
December 31, 2009  
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 293,339	\$ 268,250
Accounts receivable, net	34,927	78,222
Prepaid expenses	7,242	4,614
Inventory	<u>29,418</u>	<u>31,548</u>
Total current assets	364,926	382,634
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	69,460	69,460
Portable court	414,210	414,210
Less accumulated depreciation	<u>(246,393)</u>	<u>(214,249)</u>
Furniture and equipment - net	237,277	269,421
OTHER ASSETS:		
Investments (Note B)	<u>15,636</u>	<u>17,414</u>
Total other assets	<u>15,636</u>	<u>17,414</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 617,839</u></b>	<b><u>\$ 669,469</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 131,338	\$ 200,528
Accrued liabilities	22,050	21,687
Line of credit (Note C)		2,369
Deferred revenue	<u>107,229</u>	<u>94,251</u>
Total current liabilities	260,617	318,835
NET ASSETS:		
Unrestricted	323,860	287,911
Temporarily restricted (Note D)	<u>33,362</u>	<u>62,723</u>
Total net assets	<u>357,222</u>	<u>350,634</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 617,839</u></b>	<b><u>\$ 669,469</u></b>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2009  
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	2009	2008
<b>REVENUE:</b>				
Membership dues	\$ 617,148	\$	\$ 617,148	\$ 559,651
Entry fees	334,492		334,492	322,639
Corporate sponsorship	228,828		228,828	296,836
National events	139,554		139,554	171,003
Contributions	90,223	7,223	97,446	167,456
Racquetball magazine	75,668		75,668	164,991
Miscellaneous income	47,129		47,129	48,277
Royalties	44,435		44,435	42,056
Merchandise sales	24,780		24,780	43,542
Less cost of goods sold	(10,578)		(10,578)	(16,315)
USOC marketing agreements	18,000		18,000	21,000
Value in-kind revenue	17,174		17,174	404,432
Fundraising campaign	12,089		12,089	16,203
USOC grant (Note E)	798		798	3,192
Investment income		191	191	517
Satisfaction of program restrictions	36,775	(36,775)		
Total revenue	<u>1,676,515</u>	<u>(29,361)</u>	<u>1,647,154</u>	<u>2,245,480</u>
<b>EXPENSES:</b>				
Program services:				
National events	701,289		701,289	887,650
Membership	229,918		229,918	237,398
Development programs	223,686		223,686	355,104
Racquetball magazine	188,044		188,044	247,659
International events	115,709		115,709	108,009
Total program services	<u>1,458,646</u>		<u>1,458,646</u>	<u>1,835,820</u>
Supporting services:				
National office	101,140		101,140	97,559
Fundraising	43,959		43,959	44,342
Board of Directors	36,821		36,821	44,049
Total supporting services	<u>181,920</u>		<u>181,920</u>	<u>185,950</u>
Total expenses	<u>1,640,566</u>		<u>1,640,566</u>	<u>2,021,770</u>
CHANGE IN NET ASSETS	35,949	(29,361)	6,588	223,710
NET ASSETS, beginning of year	<u>287,911</u>	<u>62,723</u>	<u>350,634</u>	<u>126,924</u>
NET ASSETS, end of year	<u>\$ 323,860</u>	<u>\$ 33,362</u>	<u>\$ 357,222</u>	<u>\$ 350,634</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Statement of Cash Flows  
December 31, 2009  
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,588	\$ 223,710
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	32,144	33,541
In-kind donation of property and equipment		(292,210)
Changes in assets and liabilities:		
Decrease in accounts receivable	43,295	66,556
Decrease in inventory	2,130	(11,697)
Increase in prepaid expenses	(2,628)	2,351
Decrease in accounts payable	(69,190)	(66,028)
Decrease in accrued liabilities	363	1,948
Increase in deferred revenue	<u>12,978</u>	<u>16,707</u>
Total adjustments	<u>19,092</u>	<u>(248,832)</u>
Net cash provided (used) by operating activities	25,680	(25,122)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(2,523)
Decrease in investments	<u>1,778</u>	<u>3,550</u>
Net cash provided by investing activities	1,778	1,027
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable		(5,000)
Decrease in line of credit	<u>(2,369)</u>	<u>(7,500)</u>
Net cash used by financing activities	<u>(2,369)</u>	<u>(12,500)</u>
NET INCREASE (DECREASE) IN CASH	25,089	(36,595)
CASH AND CASH EQUIVALENTS, beginning of year	<u>268,250</u>	<u>304,845</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 293,339</u>	<u>\$ 268,250</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2009

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.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an Interpretation of FASB Statement No. 109 (FIN 48), that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Association's income tax returns. The revised effective date for FIN 48 is years beginning after December 15, 2008; accordingly, the Association adopted the standard effective January 1, 2009.

The Association's income tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2005 - 2008. 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, 2009 and 2008 amounted to \$32,144 and \$33,541, 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 \$8,160 and \$0 for the years ended December 31, 2009 and 2008, 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 SFAS No. 116, 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 \$40 and \$318 for the years ended December 31, 2009 and 2008, 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, 2008, from which the summarized information was derived.

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

#### Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 20, 2010, the date that the financial statements were available to be issued.

Notes to Financial Statements

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:

- 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, 2009 and 2008:

Assets at Fair Value as of December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 12,455	\$	\$	\$ 12,455
Bonds	<u>3,181</u>	<u>          </u>	<u>          </u>	<u>3,181</u>
	<u>\$ 15,636</u>	<u>\$          </u>	<u>\$          </u>	<u>\$ 15,636</u>

Assets at Fair Value as of December 31, 2008

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 14,415	\$	\$	\$ 14,415
Bonds	<u>2,999</u>	<u>          </u>	<u>          </u>	<u>2,999</u>
	<u>\$ 17,414</u>	<u>\$          </u>	<u>\$          </u>	<u>\$ 17,414</u>

Notes to Financial Statements

C. LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 15, 2010. The line of credit bears interest at 2.0% over prime and is secured by inventory and equipment. There were no amounts outstanding under this line of credit at December 31, 2009. Total interest paid during the year December 31, 2009 on this line of credit was \$40.

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Scholarship fund	\$ 31,806	\$ 33,729
National Adult Team	1,431	13,065
Disabled Wheelchair Racquetball	125	125
Junior Team at Junior Worlds	<u>          </u>	<u>15,804</u>
	<u>\$ 33,362</u>	<u>\$ 62,723</u>

The scholarship fund represents contributions restricted by the donors for use in the scholarship program. The funds are maintained in the Association's investment accounts as described in Note B.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2009 and 2008, net assets were released from restrictions by satisfying the following purposes:

	<u>2009</u>	<u>2008</u>
National Adult Team	\$ 18,857	\$ 17,601
Junior Team at Junior Worlds	15,804	
Scholarship fund	<u>2,114</u>	<u>2,601</u>
	<u>\$ 36,775</u>	<u>\$ 20,202</u>

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the United States Olympic Committee (USOC) provided grants of \$798 and \$3,192, respectively, to the Association.

In 2007, the Association entered into a content license agreement with the USOC. The Association received \$18,000 and \$21,000 under this agreement during the years ended December 31, 2009 and 2008, respectively.

Notes to Financial Statements

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, 2009 and 2008 was \$17,828 and \$17,793, respectively.

G. LEASES

Effective April 1, 2008, the Association entered into a two-year lease for office space. Effective April 1, 2010, the lease was extended through March 31, 2013. Under the terms of the extension, the Association is required to make monthly rent payments of \$1,930 through March 31, 2011, \$2,022 through March 31, 2012 and \$2,114 through March 31, 2013.

The Association also leases, on a month-to-month basis, a phone system for \$234 per month, storage units for \$139 per month and a postage meter for \$266 per quarter.

Total rent expense under these leases amounted to \$28,424 and \$26,759 for the years ended December 31, 2009 and 2008, respectively.

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

2010	\$	23,160
2011		23,988
2012		25,092
2013		6,342

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Schedule of Program Services

For the Year Ended December 31, 2009

	National Events	Membership	Development Programs	Racquetball Magazine	International Events	Total
Advertising	\$ 400					\$ 400
Agency discount				11,810		11,810
Airfare	13,494		9,503		17,070	40,067
Awards	78,999		3,155		3,160	85,314
Bad debt	274			8,160		8,434
Bank charges	17,424	6,695	2,463	1,497	1,981	30,060
Banquet	23,025		611		2,500	26,136
Computer	4,042	18,846	1,215	714	862	25,679
Contract labor	107,261	15,128	372		687	123,448
Court rentals	56,900		2,500		2,000	61,400
Decorating	12,356					12,356
Duplication	721	1,659	938		390	3,708
Employee benefits	5,270	3,540	1,742	1,710	1,251	13,513
Gifts & protocol	7,529	242	3,548			11,319
Ground transportation	3,207		1,272		1,047	5,526
Hospitality	18,290		227		582	19,099
Insurance	16,979	41,290	7,411	5,418	5,464	76,562
Interest	12	8	693	4	3	720
Legal & accounting	2,808	2,345	1,116	3,723	753	10,745
Meals, entertainment & housing	26,334		26,923		16,282	69,539
Memberships		8,655				8,655
Other expenses	5,693	11,558	1,805		19,414	38,470
Payroll taxes	7,722	5,188	2,552	2,506	1,833	19,801
Photography	500					500
Postage	10,865	13,011	2,049	21,727	1,750	49,402
Printing	7,174	18,076		90,731		115,981
Promotions		392	3,363		20	3,775
Referee payments	23,300				1,800	25,100
Rent & lease	53,015	5,746	9,652	2,775	2,257	73,445
Repairs & maintenance		3,656	57	56	213	3,982
Salaries	101,190	67,980	42,410	36,097	24,017	271,694
Rebates			88,962			88,962
Security	834					834
Apparel & uniforms	21,675		3,973		7,078	32,726
Supplies	18,400	1,963	4,023	488	1,117	25,991
Telephone	3,481	1,812	842	325	1,046	7,506
Tournament support	29,580					29,580
Utilities	935	628	309	303	222	2,397
Value in-kind expenses	21,600	1,500			910	24,010
	<u>\$ 701,289</u>	<u>\$ 229,918</u>	<u>\$ 223,686</u>	<u>\$ 188,044</u>	<u>\$ 115,709</u>	<u>\$ 1,458,646</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2009

	National Office	Fundraising	Board of Directors	Total
Airfare	\$	\$	134	\$
Awards			588	588
Bad debt	1,183			1,183
Bank charges	1,865	1,244	685	3,794
Banquet			6,762	6,762
Computer	842	614	327	1,783
Contract labor	549	267		816
Depreciation & amortization	32,144			32,144
Duplication		28		28
Education & seminars	569			569
Employee benefits	2,179	1,353	783	4,315
Gifts & protocol	111	184		295
Grants			485	485
Hospitality			621	621
Insurance	6,392	4,288	5,496	16,176
Interest	4	3	2	9
Legal & accounting	2,015	2,136	417	4,568
Meals, entertainment & housing	33	121	232	386
Other expenses	3,518	81	4	3,603
Payroll taxes	2,956	1,983	1,147	6,086
Postage	194	827	367	1,388
Printing		944	129	1,073
Promotions		168		168
Property tax	73			73
Rent & lease	3,274	2,197	1,270	6,741
Repairs & maintenance	66	44	26	136
Salaries	38,739	25,984	15,027	79,750
Supplies	2,067	593	223	2,883
Telephone	1,043	463	865	2,371
Uniforms			1,226	1,226
Utilities	358	240	139	737
Value in-kind expenses	966	63		1,029
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	101,140	43,959	36,821	181,920