

**UNITED STATES RACQUETBALL
ASSOCIATION, INC.**

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2010

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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, 2010, 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, 2009 financial statements and, in our report dated May 20, 2010, 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, 2010, 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 supporting services for the year ended December 31, 2010 are presented for purposes of additional analysis and are not a required part of the basic 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 basic 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 basic financial statements taken as a whole.

Waugh & Goodwin, LLP

May 13, 2011

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Financial Position
December 31, 2010
(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 241,407	\$ 293,339
Accounts receivable, net	56,010	34,927
Prepaid expenses	15,798	7,242
Inventory	<u>27,664</u>	<u>29,418</u>
Total current assets	340,879	364,926
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	60,408	69,460
Portable courts	414,210	414,210
Less accumulated depreciation	<u>(268,868)</u>	<u>(246,393)</u>
Furniture and equipment - net	205,750	237,277
OTHER ASSETS:		
Investments (Note B)	<u>14,132</u>	<u>15,636</u>
Total other assets	<u>14,132</u>	<u>15,636</u>
TOTAL ASSETS	<u>\$ 560,761</u>	<u>\$ 617,839</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 221,588	\$ 131,338
Accrued liabilities	17,083	22,050
Due to related parties (Note E)	6,840	
Line of credit (Note C)	25,000	
Deferred revenue	<u>91,093</u>	<u>107,229</u>
Total current liabilities	361,604	260,617
NET ASSETS:		
Unrestricted	167,291	323,860
Temporarily restricted (Note D)	<u>31,866</u>	<u>33,362</u>
Total net assets	<u>199,157</u>	<u>357,222</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 560,761</u>	<u>\$ 617,839</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, 2010
(With Comparative Totals for 2009)

	Unrestricted	Temporarily Restricted	2010	2009
REVENUE:				
Membership dues	\$ 621,066	\$	\$ 621,066	\$ 617,148
Entry fees	332,370		332,370	334,492
Corporate sponsorship	257,429		257,429	228,828
National events	158,580		158,580	139,554
Racquetball magazine	88,084		88,084	75,668
Contributions	59,592	7,700	67,292	97,446
Royalties	56,331		56,331	44,435
Miscellaneous income	36,613		36,613	47,129
Merchandise sales	18,387		18,387	24,780
Less cost of goods sold	(13,629)		(13,629)	(10,578)
USOC marketing agreements	18,000		18,000	18,000
Value in-kind revenue	16,106		16,106	17,174
Fundraising campaign	5,885		5,885	12,089
Investment income		190	190	191
USOC grant (Note E)				798
Satisfaction of program restrictions	<u>9,386</u>	<u>(9,386)</u>		
Total revenue	1,664,200	(1,496)	1,662,704	1,647,154
EXPENSES:				
Program services:				
National events	809,976		809,976	768,734
Development programs	267,393		267,393	237,965
Membership	229,180		229,180	223,909
Racquetball magazine	215,165		215,165	188,044
International events	<u>39,565</u>		<u>39,565</u>	<u>39,994</u>
Total program services	1,561,279		1,561,279	1,458,646
Supporting services:				
National office	183,955		183,955	101,140
Fundraising	38,170		38,170	43,959
Board of Directors	<u>37,365</u>		<u>37,365</u>	<u>36,821</u>
Total supporting services	259,490		259,490	181,920
Total expenses	<u>1,820,769</u>		<u>1,820,769</u>	<u>1,640,566</u>
CHANGE IN NET ASSETS	(156,569)	(1,496)	(158,065)	6,588
NET ASSETS, beginning of year	<u>323,860</u>	<u>33,362</u>	<u>357,222</u>	<u>350,634</u>
NET ASSETS, end of year	<u>\$ 167,291</u>	<u>\$ 31,866</u>	<u>\$ 199,157</u>	<u>\$ 357,222</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Cash Flows
December 31, 2010
(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (158,065)	\$ 6,588
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	31,527	32,144
Changes in assets and liabilities:		
Increase in accounts receivable	(21,083)	43,295
Decrease in inventory	1,754	2,130
Increase in prepaid expenses	(8,556)	(2,628)
Increase in accounts payable	97,090	(69,190)
Decrease in accrued liabilities	(4,967)	363
Decrease in deferred revenue	<u>(16,136)</u>	<u>12,978</u>
Total adjustments	<u>79,629</u>	<u>19,092</u>
Net cash provided (used) by operating activities	(78,436)	25,680
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in investments	<u>1,504</u>	<u>1,778</u>
Net cash provided by investing activities	1,504	1,778
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in line of credit	<u>25,000</u>	<u>(2,369)</u>
Net cash provided (used) by financing activities	<u>25,000</u>	<u>(2,369)</u>
NET INCREASE (DECREASE) IN CASH	(51,932)	25,089
CASH AND CASH EQUIVALENTS, beginning of year	<u>293,339</u>	<u>268,250</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 241,407</u>	<u>\$ 293,339</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2010

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 2007 - 2010. 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, 2010 and 2009 amounted to \$31,527 and \$32,144, 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 \$15,000 and \$8,160 for the years ended December 31, 2010 and 2009, 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 \$429 and \$40 for the years ended December 31, 2010 and 2009, 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, 2009, 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 13, 2011, 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, 2010 and 2009:

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	<u>3,136</u>	<u></u>	<u></u>	<u>3,136</u>
	<u>\$ 14,132</u>	<u>\$</u>	<u>\$</u>	<u>\$ 14,132</u>

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>

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. \$25,000 was outstanding under this line of credit at December 31, 2010. Total interest paid during the year December 31, 2010 on this line of credit was \$429.

Notes to Financial Statements

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Scholarship fund	\$ 31,741	\$ 31,806
Disabled Wheelchair Racquetball	125	125
National Adult Team	<u> </u>	<u>1,431</u>
	<u>\$ 31,866</u>	<u>\$ 33,362</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, 2010 and 2009, net assets were released from restrictions by satisfying the following purposes:

	<u>2010</u>	<u>2009</u>
National Adult Team	\$ 7,681	\$ 18,857
Junior Team at Junior Worlds	<u> </u>	15,804
Scholarship fund	<u>1,705</u>	<u>2,114</u>
	<u>\$ 9,386</u>	<u>\$ 36,775</u>

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the United States Olympic Committee (USOC) provided grants of \$0 and \$798, respectively, to the Association.

In 2007, the Association entered into a content license agreement with the USOC. The Association received \$18,000 under this agreement during both the years ended December 31, 2010 and 2009.

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. The loans are being repaid at the rate of \$380 per month and will be paid in full during 2011. Neither note bears interest.

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, 2010 and 2009 was \$20,935 and \$17,828, 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 \$147 per month and a postage meter for \$266 per quarter.

Total rent expense under these leases amounted to \$28,867 and \$28,424 for the years ended December 31, 2010 and 2009, respectively.

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

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

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Schedule of Program Services

For the Year Ended December 31, 2010

	National Events	Development Programs	Membership	Racquetball Magazine	International Events	Total
Advertising	\$ 19,855	\$	\$	\$	\$	\$ 19,855
Agency discount				28,483		28,483
Airfare	21,175	7,680			17,431	46,286
Awards	71,077	498	12,000		4,000	87,575
Bank charges	11,454	557	7,348		153	19,512
Banquet	24,077	222				24,299
Computer	3,680	1,234	20,756			25,670
Contract labor	149,763	25,116	14,253			189,132
Court rentals	44,260	395				44,655
Decorating	13,418					13,418
Duplication	975	699	546			2,220
Gifts & protocol	10,225	3,500	1,360		509	15,594
Ground transportation	6,655	866			296	7,817
Hospitality	18,057	18				18,075
Insurance		2,466	30,653		838	33,957
Interest	37	170				207
Legal & accounting	159			273		432
Meals, entertainment & housing	26,400	24,809	137		8,689	60,035
Memberships			10,557		200	10,757
Other expenses	6,861	11,617	6,260		912	25,650
Overhead allocation	141,413	53,710	100,660	67,936	3,964	367,683
Photography	1,050					1,050
Postage	9,652	1,162	13,770	21,056	425	46,065
Printing	8,595	1,425	5,113	94,834		109,967
Promotions	2,789	2,625	481			5,895
Referee payments	25,845					25,845
Rent & lease	53,453	5,837				59,290
Repairs & maintenance	1,286		2,965			4,251
Salaries		5,670		2,495		8,165
Rebates		109,277				109,277
Apparel & uniforms	27,741	1,343			1,942	31,026
Supplies	27,497	1,669	875	88	196	30,325
Taxes	2,256	20			0	2,276
Telephone	5,022	21	1,446		10	6,499
Tournament support	54,172					54,172
Value in-kind expenses	21,077	4,787				25,864
	<u>\$ 809,976</u>	<u>\$ 267,393</u>	<u>\$ 229,180</u>	<u>\$ 215,165</u>	<u>\$ 39,565</u>	<u>\$ 1,561,279</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2010

	National Office	Fundraising	Board of Directors	Total
Airfare	\$	\$	638	\$
Awards			80	80
Bad debt	11,724			11,724
Bank charges	15,674	52		15,726
Banquet			6,580	6,580
Computer charges	14,599			14,599
Contract labor	24,912	1,249		26,161
Depreciation	31,527			31,527
Education & seminars	1,081			1,081
Employee benefits	20,730			20,730
Gifts & protocol	28	316	125	469
Grants			525	525
Ground transportation	68	157		225
Hospitality			1,014	1,014
Insurance	56,321		3,065	59,386
Interest	424			424
Legal & accounting	35,009	1,113	850	36,972
Meals, entertainment & housing		666	1,546	2,212
Other expenses	1,039	115	122	1,276
Overhead allocation	(418,801)	31,605	19,513	(367,683)
Payroll taxes	27,473			27,473
Postage	1,980	253	2,722	4,955
Printing & copies	274			274
Promotions		95		95
Property tax	63			63
Rent & lease	29,432		270	29,702
Repairs & maintenance	735			735
Salaries & wages	315,082			315,082
Supplies	7,468	1,911		9,379
Taxes			86	86
Telephone	3,783		867	4,650
Utilities	3,330			3,330
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	183,955	38,170	37,365	259,490