

**UNITED STATES RACQUETBALL  
ASSOCIATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2006**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
United States Racquetball  
Association, Inc.

We have audited the accompanying statements of financial position of United States Racquetball Association, Inc. (a nonprofit corporation) as of December 31, 2006 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, 2005 financial statements and, in our report dated May 8, 2006, 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, 2006 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, 2006 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 7, 2007

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Statement of Financial Position  
December 31, 2006  
(With Comparative Amounts for 2005)

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 252,122	\$ 397,944
Accounts receivable	106,475	157,193
Prepaid expenses	2,000	1,650
Inventory	<u>22,591</u>	<u>34,737</u>
Total current assets	383,188	591,524
<b>FURNITURE AND EQUIPMENT:</b>		
Office furniture and equipment	94,807	104,733
Portable court	122,000	122,000
Less accumulated depreciation	<u>(197,339)</u>	<u>(193,111)</u>
Furniture and equipment - net	19,468	33,622
<b>OTHER ASSETS:</b>		
Investments (Note B)	<u>21,497</u>	<u>22,449</u>
Total other assets	<u>21,497</u>	<u>22,449</u>
<b>TOTAL ASSETS</b>	<u>\$ 424,153</u>	<u>\$ 647,595</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 282,954	\$ 402,747
Accrued liabilities	4,864	4,824
Line of credit	7,895	14,385
Deferred revenue	35,101	138,735
Current portion of note payable (Note C)	<u>13,535</u>	<u>23,222</u>
Total current liabilities	344,349	583,913
NOTE PAYABLE (Note C)	5,000	15,000
<b>NET ASSETS:</b>		
Unrestricted	39,702	13,157
Temporarily restricted (Note D)	<u>35,102</u>	<u>35,525</u>
Total net assets	<u>74,804</u>	<u>48,682</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 424,153</u>	<u>\$ 647,595</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Statement of Activities and Changes in Net Assets  
December 31, 2006  
(With Comparative Totals for 2005)

	Unrestricted	Temporarily Restricted	2006	2005
<b>REVENUE:</b>				
Corporate sponsorship	\$ 535,458	\$	\$ 535,458	\$ 423,150
Membership dues	432,678		432,678	414,956
Entry fees	327,877		327,877	346,052
Racquetball magazine	187,466		187,466	167,034
National events	138,405		138,405	167,696
In-kind revenue	117,404		117,404	59,052
Royalties	85,536		85,536	89,454
Contributions	83,504	1,144	84,648	159,989
Rental and miscellaneous income	55,421		55,421	22,005
Merchandise sales	47,320		47,320	15,038
Less cost of goods sold	(21,388)		(21,388)	(9,498)
USOC joint marketing agreement	16,000		16,000	16,000
Fundraising campaign	12,139		12,139	3,887
Interest and other programs	159	1,201	1,360	1,365
Gain on disposal of building				137,482
USOC grants				100,000
Net assets released from restrictions	2,768	(2,768)		
<b>Total revenue</b>	<b>2,020,747</b>	<b>(423)</b>	<b>2,020,324</b>	<b>2,113,662</b>
<b>EXPENSES:</b>				
<b>Program services:</b>				
National events	966,988		966,988	822,553
Development programs	441,806		441,806	399,963
Racquetball magazine	254,913		254,913	218,458
Membership	204,663		204,663	184,879
International events	23,203		23,203	67,583
<b>Total program services</b>	<b>1,891,573</b>		<b>1,891,573</b>	<b>1,693,436</b>
<b>Supporting services:</b>				
National office	60,522		60,522	77,407
Board of Directors	26,148		26,148	39,098
Fundraising	15,959		15,959	14,233
<b>Total supporting services</b>	<b>102,629</b>		<b>102,629</b>	<b>130,738</b>
<b>Total expenses</b>	<b>1,994,202</b>		<b>1,994,202</b>	<b>1,824,174</b>
<b>CHANGE IN NET ASSETS</b>	<b>26,545</b>	<b>(423)</b>	<b>26,122</b>	<b>289,488</b>
<b>NET ASSETS, beginning of year</b>	<b>13,157</b>	<b>35,525</b>	<b>48,682</b>	<b>(240,806)</b>
<b>NET ASSETS, end of year</b>	<b>\$ 39,702</b>	<b>\$ 35,102</b>	<b>\$ 74,804</b>	<b>\$ 48,682</b>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Statement of Cash Flows

December 31, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,122	\$ 289,488
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on disposal of building		(137,482)
Depreciation	20,820	19,954
Changes in assets and liabilities:		
Decrease in accounts receivable	50,718	(69,635)
Decrease in inventory	12,146	13,255
Increase in prepaid expenses	(350)	(1,650)
Increase in accrued liabilities	40	(1,347)
Decrease in accounts payable	(119,793)	(65,377)
Decrease in deposits payable		(500)
Decrease in deferred revenue	<u>(103,635)</u>	<u>122,385</u>
Total adjustments	<u>(140,054)</u>	<u>(120,397)</u>
Net cash provided (used) by operating activities	(113,932)	169,091
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(6,665)	(2,074)
Proceeds from sale of building		282,512
Decrease in investments	<u>952</u>	<u>9,038</u>
Net cash provided (used) by investing activities	(5,713)	289,476
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in note payable	(19,687)	(292,405)
Decrease in line of credit	(6,490)	14,385
Decrease in loan acquisition costs		<u>1,650</u>
Net cash used by financing activities	<u>(26,177)</u>	<u>(276,370)</u>
NET INCREASE (DECREASE) IN CASH	(145,822)	182,197
CASH AND CASH EQUIVALENTS, beginning of year	<u>397,944</u>	<u>215,747</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 252,122</u>	<u>\$ 397,944</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2006

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.

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Association is not a private foundation.

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, 2006 and 2005 amounted to \$20,820 and \$19,954, respectively.

Membership Dues

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

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 concluded that any losses on balances outstanding at year-end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Contributions

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 net assets released from restrictions.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions - Continued

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 \$4,298 and \$28,330 for the years ended December 31, 2006 and 2005, respectively.

#### 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 organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.



Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior-Year Comparisons - Continued

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

B. INVESTMENTS

Investments are carried at market value and consist of the following at December 31, 2006:

	<u>2006</u>	<u>2005</u>
Money market fund	\$ 3,443	\$ 4,109
NM Household Finance Corp., 6.15% bonds	3,034	3,065
NM Household Finance Corp., 7.4% bonds	<u>15,020</u>	<u>15,275</u>
Investments at market	<u>\$ 21,497</u>	<u>\$ 22,449</u>
Investments at cost	<u>\$ 21,207</u>	<u>\$ 21,869</u>

C. NOTE PAYABLE

Notes payable consists of the following at December 31, 2006:

	<u>2006</u>	<u>2005</u>
One-year note payable to First Bank secured by personal property. The note was refinanced in 2006 and now requires monthly payments of \$480, plus interest at 9.25%, through August, 2007. A balloon payment of \$10,845 will be due on August 16, 2007.	\$ 13,535	\$ 23,222
Ten-year note payable to Otto Dietrich, unsecured. The note is dated 2/24/05 and requires no payments until the sixth year, at which time interest only payments of 5% will be due. The note is due in full at the ten-year term.	5,000	5,000

Notes to Financial Statements

C. NOTE PAYABLE - Continued

Note payable to the National Master's Association, with no terms stated.

	<u>                    </u>	<u>10,000</u>
	18,535	38,222
Less current portion	<u>(13,535)</u>	<u>(23,222)</u>
Total	<u>\$ 5,000</u>	<u>\$ 15,000</u>

Future minimum payments on notes payable for the years ended December 31 are as follows:

2007	\$ 13,535
Future years	<u>5,000</u>
	<u>\$ 18,535</u>

D. LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 16, 2008. The line of credit bears interest at 2.0% over prime and is secured by inventory and equipment. At December 31, 2006, outstanding borrowings under the line of credit agreement were \$7,896. Total interest paid during the year on this line of credit was \$912.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Scholarship fund	\$ 34,922	\$ 34,577
Disabled Wheelchair Racquetball	125	125
National Adult Team	55	454
Campaign Hall of Fame	<u>                    </u>	<u>369</u>
	<u>\$ 35,102</u>	<u>\$ 35,525</u>

## Notes to Financial Statements

### E. TEMPORARILY RESTRICTED NET ASSETS - Continued

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, 2006 and 2005, net assets were released from restrictions by satisfying the following purposes:

	<u>2006</u>	<u>2005</u>
Scholarship fund	\$ 2,000	\$
National Adult Team	399	266
Hall of Fame	369	630
National Junior Team	<u>          </u>	<u>1,049</u>
	<u>\$ 2,768</u>	<u>\$ 18,769</u>

### F. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2005, the United States Olympic Committee (USOC) provided grants to the Association under the base funding and performance pool funding programs in the amount of \$100,000. The Association also received in-kind payments from the USOC of \$5,731. USOC grants were not provided to the Association in 2006.

The Association renewed its joint marketing agreement with the USOC in 2004. The Association received \$16,000 during each of the years ended December 31, 2006 and 2005.

### G. 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, 2006 and 2005 was \$19,205 and \$18,323, respectively.

### H. LEASES

Effective April 1, 2005, the Association entered into a three-year lease for office space. The lease requires monthly rent payments of \$1,500. The Association also leased a storage unit for \$80 per month and a postage meter for \$122 per month.

Total rent expense under these leases amounted to \$20,467 and \$16,468 for the years ended December 31, 2006 and 2005, respectively.

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Schedule of Program Services  
For the Year Ended December 31, 2006

	National Events	Development Programs	Racquetball Magazine	Membership	International Events	Total
Advertising	\$ 30,153					\$ 30,153
Agency discount			60,301			60,301
Airfare	15,331	21,612	250		713	37,906
Administration	156,130	73,203	57,017	123,540	4,270	414,160
Athlete assistance		6,000				6,000
Awards	71,490	777		52		72,319
Bank charges	4,700	1,883				6,583
Banquet	27,837	801				28,638
Computer programming	4,619	1,250		500		6,369
Contract labor	138,934	4,950		12,251		156,135
Court rentals	94,730					94,730
Decorating	13,012					13,012
Duplication	6,208	232	19	764		7,223
Entertainment	24,105	284			288	24,677
Fundraising	6,009					6,009
Gifts	2,620	184				2,804
Grants & scholarships	13,897	2,000				15,897
Ground transportation	1,150	374			34	1,558
Hospitality	18,155					18,155
Insurance	18,141	469		39,567		58,177
Legal/accounting	1,462					1,462
Meals/housing	8,811	27,937			917	37,665
Media/publicity		700				700
Mileage		579				579
Miscellaneous	619	10,002		620	13,110	24,351
Pictures	2,101		450			2,551
Postage	343	891	23,078	9,325		33,637
Printing	12,300	3,526	113,412	17,386		146,624
Promotions	65	6,205		285	340	6,895
Rebates		124,907				124,907
Referee payments	25,845					25,845
Rent	41,915	539			226	42,680
Repairs & maintenance	2,127	3,540				5,667
Security	1,768					1,768
Shirts	27,201					27,201
Supplies	1,869	2,176		94		4,139
Telephone	3,973	394				4,367
Tournament support	84,581	127,675			2,500	214,756
Uniforms		8,179				8,179
UPS	9,971	6,062	386	279		16,698
VIK	94,816	1,502			805	97,123
Web Hosts		2,973				2,973
	<u>\$ 966,988</u>	<u>\$ 441,806</u>	<u>\$ 254,913</u>	<u>\$ 204,663</u>	<u>\$ 23,203</u>	<u>\$ 1,891,573</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2006

	National Office	Board of Directors	Fundraising	Total Supporting Services
Administration	\$ 38,010	\$ 12,163	\$ 10,785	\$ 60,958
Banquet		6,580	543	7,123
Depreciation	20,820			20,820
Duplication		318		318
Employee benefits	95			95
Hospitality		697		697
Insurance		5,350		5,350
Legal/accounting		94		94
Miscellaneous	542	376		918
Postage		199	4	203
Promotions	954	203	4,093	5,250
Property tax	101			101
Supplies			528	528
UPS		168	6	174
	<u>\$ 60,522</u>	<u>\$ 26,148</u>	<u>\$ 15,959</u>	<u>\$ 102,629</u>