

**UNITED STATES RACQUETBALL
ASSOCIATION, INC.**

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Program Services	10
Schedule of Supporting Services	11

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Racquetball
Association, Inc.

We have audited the accompanying statement of financial position of United States Racquetball Association, Inc. (a nonprofit corporation) as of December 31, 2007, 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, 2006 financial statements and, in our report dated May 7, 2007, 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, 2007 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, 2007, 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 14, 2008

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Financial Position
December 31, 2007
(With Comparative Amounts for 2006)

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 304,845	\$ 252,122
Accounts receivable	144,778	106,475
Prepaid expenses	6,965	2,000
Inventory	<u>19,853</u>	<u>22,591</u>
Total current assets	476,441	383,188
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	66,936	94,807
Portable court	122,000	122,000
Less accumulated depreciation	<u>(180,708)</u>	<u>(197,339)</u>
Furniture and equipment - net	8,228	19,468
OTHER ASSETS:		
Investments (Note B)	<u>20,964</u>	<u>21,497</u>
Total other assets	<u>20,964</u>	<u>21,497</u>
TOTAL ASSETS	<u>\$ 505,633</u>	<u>\$ 424,153</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 266,556	\$ 282,954
Accrued liabilities	19,740	4,864
Line of credit (Note D)	9,869	7,895
Deferred revenue	77,544	35,101
Current portion of note payable (Note C)	<u>13,535</u>	<u>13,535</u>
Total current liabilities	373,709	344,349
NOTE PAYABLE (Note C)	<u>5,000</u>	<u>5,000</u>
Total liabilities	378,709	349,349
NET ASSETS:		
Unrestricted	84,241	39,702
Temporarily restricted (Note E)	<u>42,683</u>	<u>35,102</u>
Total net assets	<u>126,924</u>	<u>74,804</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 505,633</u>	<u>\$ 424,153</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, 2007
(With Comparative Totals for 2006)

	Unrestricted	Temporarily Restricted	2007	2006
REVENUE:				
Membership dues	\$ 499,905	\$	\$ 499,905	\$ 432,678
Corporate sponsorship	378,725		378,725	410,458
Entry fees	330,841		330,841	327,877
Racquetball magazine	189,082		189,082	187,466
National events	151,724		151,724	138,405
Value in-kind revenue	119,761		119,761	117,404
Contributions	91,360	14,067	105,427	84,648
Royalties	92,529		92,529	85,536
Miscellaneous income	77,173		77,173	55,421
Merchandise sales	43,897		43,897	47,320
USOC marketing agreements	21,000		21,000	16,000
Fundraising campaign	18,159		18,159	12,139
Interest and dividends	329	971	1,300	1,360
Less cost of goods sold	(33,090)		(33,090)	(21,388)
Satisfaction of program restrictions	<u>7,457</u>	<u>(7,457)</u>		
Total revenue	1,988,852	7,581	1,996,433	1,895,324
EXPENSES:				
Program services:				
National events	963,457		963,457	966,988
Racquetball magazine	242,217		242,217	254,913
Development programs	238,496		238,496	316,806
Membership	233,094		233,094	204,663
International events	<u>105,786</u>		<u>105,786</u>	<u>23,203</u>
Total program services	1,783,050		1,783,050	1,766,573
Supporting services:				
National office	75,001		75,001	60,522
Board of Directors	46,570		46,570	26,148
Fundraising	<u>39,692</u>		<u>39,692</u>	<u>15,959</u>
Total supporting services	<u>161,263</u>		<u>161,263</u>	<u>102,629</u>
Total expenses	<u>1,944,313</u>		<u>1,944,313</u>	<u>1,869,202</u>
CHANGE IN NET ASSETS	44,539	7,581	52,120	26,122
NET ASSETS, beginning of year	<u>39,702</u>	<u>35,102</u>	<u>74,804</u>	<u>48,682</u>
NET ASSETS, end of year	<u>\$ 84,241</u>	<u>\$ 42,683</u>	<u>\$ 126,924</u>	<u>\$ 74,804</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Cash Flows
December 31, 2007
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 52,120	\$ 26,122
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,248	20,820
Changes in assets and liabilities:		
Increase in accounts receivable	(38,303)	50,718
Decrease in inventory	2,738	12,146
Increase in prepaid expenses	(4,965)	(350)
Increase in accrued liabilities	14,876	40
Decrease in accounts payable	(16,397)	(119,793)
Increase in deferred revenue	<u>42,443</u>	<u>(103,635)</u>
Total adjustments	<u>9,640</u>	<u>(140,054)</u>
Net cash provided (used) by operating activities	61,760	(113,932)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(961)	(6,665)
Loss on disposal of property and equipment	2,952	
Decrease in investments	<u>533</u>	<u>952</u>
Net cash provided (used) by investing activities	2,524	(5,713)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(13,534)	(19,687)
Increase in line of credit	<u>1,973</u>	<u>(6,490)</u>
Net cash used by financing activities	<u>(11,561)</u>	<u>(26,177)</u>
NET INCREASE (DECREASE) IN CASH	52,723	(145,822)
CASH AND CASH EQUIVALENTS, beginning of year	<u>252,122</u>	<u>397,944</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 304,845</u>	<u>\$ 252,122</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2007

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, 2007 and 2006 amounted to \$9,248 and \$20,820, 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 \$1,322 and \$4,298 for the years ended December 31, 2007 and 2006, 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 Association's financial statements for the year ended December 31, 2006, 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Money market fund	\$ 17,909	\$ 3,443
NM Household Finance Corp., 6.15% bonds	3,055	3,034
NM Household Finance Corp., 7.4% bonds	<u> </u>	<u>15,020</u>
Investments at market	<u>\$ 20,964</u>	<u>\$ 21,497</u>
Investments at cost	<u>\$ 20,714</u>	<u>\$ 21,207</u>

C. NOTE PAYABLE

Notes payable consists of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
One-year note payable to First Bank secured by personal property. The note was refinanced in 2006 and required monthly payments of \$480, plus interest at 9.25%, through August, 2007.	\$	\$ 13,535
Ten-year note payable to Otto Dietrich, unsecured. The note was dated February 24, 2005 and required no payments until the sixth year, at which time interest only payments of 5% were due. This note was paid in full subsequent to December 31, 2007.	<u>5,000</u>	<u>5,000</u>
	5,000	18,535
Less current portion	<u> </u>	<u>(13,535)</u>
Total	<u>\$ 5,000</u>	<u>\$ 5,000</u>

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

Future years	<u>\$ 5,000</u>
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Notes to Financial Statements

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, 2007, outstanding borrowings under the line of credit agreement were \$9,869. Total interest paid during the year December 31, 2007 on this line of credit was \$1,322.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Scholarship fund	\$ 35,351	\$ 34,922
National Adult Team	7,207	55
Disabled Wheelchair Racquetball	<u>125</u>	<u>125</u>
	<u>\$ 42,683</u>	<u>\$ 35,102</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, 2007 and 2006, net assets were released from restrictions by satisfying the following purposes:

	<u>2007</u>	<u>2006</u>
National Adult Team	\$ 6,449	\$ 399
Scholarship fund	1,008	2,000
Hall of Fame	<u> </u>	<u>369</u>
	<u>\$ 7,457</u>	<u>\$ 2,768</u>

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2007 and 2006, the United States Olympic Committee (USOC) did not provide any grants to the Association.

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

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS - continued

In 2007, the Corporation entered into a content license agreement with the USOC. Under the terms of the content license agreement the joint marketing agreement was terminated. The Corporation received \$21,000 in licensing fees and signing bonuses in 2007. Under this agreement, an additional \$5,000 was received in January 2008.

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, 2007 and 2006 was \$19,754 and \$19,205, respectively.

H. LEASES

Effective April 1, 2005, the Association entered into a three-year lease for office space. The lease required monthly rent payments of \$1,500. The Association entered into a new lease effective April 1, 2008. Under the terms of the new lease the Association is required to make monthly rent payments of \$1,838 through March 31, 2009 and \$1,930 from April 1, 2009 to March 31, 2010. The Association also leases, on a month-to-month basis, a storage unit for \$83 per month and a postage meter for \$122 per month.

Total rent expense under these leases amounted to \$20,460 and \$20,467 for the years ended December 31, 2007 and 2006, respectively.

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

2008	\$	21,042
2009		22,884
2010		5,790

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Schedule of Program Services

For the Year Ended December 31, 2007

	<u>National Events</u>	<u>Racquetball Magazine</u>	<u>Development Programs</u>	<u>Membership</u>	<u>International Events</u>	<u>Total</u>
Advertising	\$ 33,388	\$	\$	\$ 6,585	\$	\$ 39,973
Agency discount		46,497				46,497
Airfare	23,724		7,898	442	31,253	63,317
Awards	76,270		1,783	365	1,645	80,063
Bad debt	2,500					2,500
Bank charges	10,878	1,607	1,493	4,918	627	19,523
Banquet	24,376				2,652	27,028
Computer	4,807	1,598	1,723	3,451	1,049	12,628
Contract labor	153,626			14,716	1,900	170,242
Court rentals	78,070		2,500		4,134	84,704
Decorating	10,637					10,637
Duplication	2,060		6,250	938	91	9,339
Employee benefits	5,298	2,131	1,980	4,807	781	14,997
Gifts & protocol	15,851		2,036		18	17,905
Ground transportation	2,166	5	1,198	44	268	3,681
Hospitality	20,280				611	20,891
Insurance	10,480	4,216	4,537	47,096	1,740	68,069
Interest	347	140	130	315	51	983
Legal & accounting	6,148	606	563	1,467	222	9,006
Meals, entertainment & housing	25,597		15,246	5	18,225	59,073
Memberships		127	118	286		531
Other expenses	7,141		778	16,818	2,376	27,113
Website expense	2,559					2,559
Payroll taxes	7,293	2,934	2,726	6,618	1,075	20,646
Photography	1,244	674				1,918
Postage	7,879	25,767	1,150	10,300	1,785	46,881
Printing	9,833	115,793		23,458		149,084
Promotions	879		1,657	386	338	3,260
Referee payments	22,875				2,450	25,325
Rent & lease	49,050	2,448	4,712	5,521	1,579	63,310
Repairs & maintenance	2,463	146	1,124	3,870	54	7,657
Salaries	87,095	36,255	32,280	76,354	12,215	244,199
Rebates			138,801			138,801
Security	1,692					1,692
Apparel & uniforms	25,189		3,105		7,609	35,903
Supplies	27,208	530	1,798	2,273	3,627	35,436
Telephone	3,512	364	1,053	1,208	738	6,875
Tournament support	76,114				5,625	81,739
Utilities	941	379	1,857	853	138	4,168
Value in-kind expenses	123,987				910	124,897
	<u>\$ 963,457</u>	<u>\$ 242,217</u>	<u>\$ 238,496</u>	<u>\$ 233,094</u>	<u>\$ 105,786</u>	<u>\$ 1,783,050</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2007

	National Office	Board of Directors	Fundraising	Total Supporting Services
Bank charges	\$ 1,588	\$ 895	\$ 1,105	\$ 3,588
Banquet		6,580		6,580
Charities		2,800		2,800
Computer	1,183	667	823	2,673
Contract labor	6,840		1,020	7,860
Depreciation & amortization	9,248			9,248
Education & seminars	196			196
Employee benefits	2,724	1,187	1,465	5,376
Gifts & protocol	65			65
Ground transportation	5	3	34	42
Hospitality		968		968
Insurance	4,164	5,458	2,898	12,520
Interest	165	78	96	339
Legal & accounting	599	1,101	506	2,206
Meals, entertainment & housing	54	964	1,147	2,165
Memberships	125	71	87	283
Other expenses	4,081	385	115	4,581
Payroll taxes	2,898	1,634	2,017	6,549
Postage	173	420	486	1,079
Promotions	741			741
Property tax	90			90
Rent & lease	2,418	1,363	1,683	5,464
Repairs & maintenance	144	81	100	325
Salaries	34,968	20,021	24,379	79,368
Supplies	1,402	559	1,223	3,184
Telephone	357	1,124	248	1,729
Trash	28	16	20	64
Utilities	345	195	240	780
Value in-kind expenses	400			400
	<u>\$ 75,001</u>	<u>\$ 46,570</u>	<u>\$ 39,692</u>	<u>\$ 161,263</u>