

**UNITED STATES RACQUETBALL
ASSOCIATION, INC.**

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2008

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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, 2008, 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, 2007 financial statements and, in our report dated May 14, 2008, 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, 2008, 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, 2008 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 4, 2009

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Statement of Financial Position
December 31, 2008
(With Comparative Amounts for 2007)

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 268,250	\$ 304,845
Accounts receivable	111,625	144,778
Prepaid expenses	4,614	6,965
Inventory	<u>31,548</u>	<u>19,853</u>
Total current assets	416,037	476,441
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	69,460	66,936
Portable court	414,210	122,000
Less accumulated depreciation	<u>(214,249)</u>	<u>(180,708)</u>
Furniture and equipment - net	269,421	8,228
OTHER ASSETS:		
Investments (Note B)	<u>17,414</u>	<u>20,964</u>
Total other assets	<u>17,414</u>	<u>20,964</u>
TOTAL ASSETS	<u>\$ 702,872</u>	<u>\$ 505,633</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 233,931	\$ 266,556
Accrued liabilities	21,687	19,740
Line of credit (Note D)	2,369	9,869
Deferred revenue	<u>94,251</u>	<u>77,544</u>
Total current liabilities	352,238	373,709
NOTE PAYABLE (Note C)	<u> </u>	<u>5,000</u>
Total liabilities	352,238	378,709
NET ASSETS:		
Unrestricted	287,911	84,241
Temporarily restricted (Note E)	<u>62,723</u>	<u>42,683</u>
Total net assets	<u>350,634</u>	<u>126,924</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 702,872</u>	<u>\$ 505,633</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, 2008
(With Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	2008	2007
REVENUE:				
Membership dues	\$ 559,651	\$	\$ 559,651	\$ 499,905
Value in-kind revenue	404,432		404,432	119,761
Entry fees	322,639		322,639	330,841
Corporate sponsorship	296,836		296,836	378,725
National events	171,003		171,003	151,724
Contributions	127,614	39,842	167,456	105,427
Racquetball magazine	164,991		164,991	189,082
Miscellaneous income	48,277		48,277	77,173
Merchandise sales	43,542		43,542	43,897
Less cost of goods sold	(16,315)		(16,315)	(33,090)
Royalties	42,056		42,056	92,529
USOC marketing agreements	21,000		21,000	21,000
Fundraising campaign	16,203		16,203	18,159
USOC grant (Note F)	3,192		3,192	
Investment income	117	400	517	1,300
Satisfaction of program restrictions	<u>20,202</u>	<u>(20,202)</u>		
Total revenue	2,225,440	20,040	2,245,480	1,996,433
EXPENSES:				
Program services:				
National events	887,650		887,650	963,457
Development programs	355,104		355,104	238,496
Racquetball magazine	247,659		247,659	242,217
Membership	237,398		237,398	233,094
International events	<u>108,009</u>		<u>108,009</u>	<u>105,786</u>
Total program services	1,835,820		1,835,820	1,783,050
Supporting services:				
National office	97,559		97,559	75,001
Fundraising	44,342		44,342	39,692
Board of Directors	<u>44,049</u>		<u>44,049</u>	<u>46,570</u>
Total supporting services	<u>185,950</u>		<u>185,950</u>	<u>161,263</u>
Total expenses	<u>2,021,770</u>		<u>2,021,770</u>	<u>1,944,313</u>
CHANGE IN NET ASSETS	203,670	20,040	223,710	52,120
NET ASSETS, beginning of year	<u>84,241</u>	<u>42,683</u>	<u>126,924</u>	<u>74,804</u>
NET ASSETS, end of year	<u>\$ 287,911</u>	<u>\$ 62,723</u>	<u>\$ 350,634</u>	<u>\$ 126,924</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Statement of Cash Flows

December 31, 2008

(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 223,710	\$ 52,120
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	33,541	9,248
In-kind donation of property and equipment	(292,210)	
Changes in assets and liabilities:		
Decrease in accounts receivable	33,153	(38,303)
Increase in inventory	(11,697)	2,738
Decrease in prepaid expenses	2,351	(4,965)
Decrease in accounts payable	(32,625)	(16,397)
Increase in accrued liabilities	1,948	14,876
Increase in deferred revenue	<u>16,707</u>	<u>42,443</u>
Total adjustments	<u>(248,832)</u>	<u>9,640</u>
Net cash provided (used) by operating activities	(25,122)	61,760
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,523)	(961)
Decrease in investments	3,550	533
Loss on disposal of property and equipment	<u> </u>	<u>2,952</u>
Net cash provided by investing activities	1,027	2,524
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(5,000)	(13,534)
Decrease in line of credit	<u>(7,500)</u>	<u>1,973</u>
Net cash used by financing activities	<u>(12,500)</u>	<u>(11,561)</u>
NET INCREASE (DECREASE) IN CASH	(36,595)	52,723
CASH AND CASH EQUIVALENTS, beginning of year	<u>304,845</u>	<u>252,122</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 268,250</u>	<u>\$ 304,845</u>

See Notes to Financial Statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2008

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, 2008 and 2007 amounted to \$33,541 and \$9,248, 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.

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 satisfaction of program 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 \$318 and \$1,322 for the years ended December 31, 2008 and 2007, 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, 2007, 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market fund	\$ 14,415	\$ 17,909
NM Household Finance Corp., 6.15% bonds	<u>2,999</u>	<u>3,055</u>
Investments at market	<u>\$ 17,414</u>	<u>\$ 20,964</u>
Investments at cost	<u>\$ 17,291</u>	<u>\$ 20,714</u>

C. NOTE PAYABLE

Note payable consists of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
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>\$</u>	<u>\$ 5,000</u>
		<u>5,000</u>
Total	<u>\$</u>	<u>\$ 5,000</u>

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 15, 2010. The line of credit bears interest at 2.0% over prime and is secured by inventory and equipment. At December 31, 2008, outstanding borrowings under the line of credit agreement were \$2,369. Total interest paid during the year December 31, 2008 on this line of credit was \$358.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Scholarship fund	\$ 33,729	\$ 35,351
Junior Team at Junior Worlds	15,804	
National Adult Team	13,065	7,207
Disabled Wheelchair Racquetball	<u>125</u>	<u>125</u>
	<u>\$ 62,723</u>	<u>\$ 42,683</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, 2008 and 2007, net assets were released from restrictions by satisfying the following purposes:

	<u>2008</u>	<u>2007</u>
National Adult Team	\$ 17,601	\$ 6,449
Scholarship fund	<u>2,601</u>	<u>1,008</u>
	<u>\$ 20,202</u>	<u>\$ 7,457</u>

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2008 and 2007, the United States Olympic Committee (USOC) provided grants of \$3,192 and \$0, respectively, to the Association.

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 2008 and 2007.

Notes to Financial Statements

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, 2008 and 2007 was \$17,793 and \$19,754, respectively.

H. LEASES

Effective April 1, 2008, the Association entered into a two-year lease for office space. Under the terms of the 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 phone system for \$234 per month, storage units for \$135 per month and a postage meter for \$266 per quarter.

Total rent expense under these leases amounted to \$26,759 and \$20,460 for the years ended December 31, 2008 and 2007, respectively.

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

2009	\$	22,884
2010		5,790

UNITED STATES RACQUETBALL ASSOCIATION, INC.

Schedule of Program Services

For the Year Ended December 31, 2008

	National Events	Development Programs	Racquetball Magazine	Membership	International Events	Total
Advertising	\$ 15,600	\$	\$	\$	\$	\$ 15,600
Agency discount	(28)		41,810			41,782
Airfare	13,905	10,424		300	21,965	46,594
Awards	73,555	1,195		2,148	1,661	78,559
Bad debt	433	70				503
Bank charges	12,902	2,534	1,866	4,916	1,654	23,872
Banquet	26,913			22,891	1,878	51,682
Computer	3,975	1,207	983	11,838	454	18,457
Contract labor	126,687	29,980		24,036	1,248	181,951
Court rentals	50,395	4,000			1,500	55,895
Decorating	13,376			86		13,462
Duplication	1,831	140		590	633	3,194
Employee benefits	6,807	1,941	1,708	2,895	788	14,139
Gifts & protocol	10,585	3,450		200	97	14,332
Ground transportation	5,763	696		1,400	576	8,435
Hospitality	20,152			1,193	1,500	22,845
Insurance	17,245	6,644	4,215	44,675	2,778	75,557
Interest	7,445	2,494	1,874	3,178	865	15,856
Legal & accounting	2,324	679	673	1,514	333	5,523
Meals, entertainment & housing	31,860	22,012		543	27,075	81,490
Memberships				6,915		6,915
Other expenses	5,367	1,350		11,236	2,679	20,632
Website expense					10	10
Payroll taxes	9,863	2,823	2,483	4,210	1,146	20,525
Photography	945					945
Postage	7,027	5,264	30,025	12,701	2,353	57,370
Printing	14,607	51	126,865	5,884	8	147,415
Promotions	65	2,512		412	300	3,289
Referee payments	22,000				2,120	24,120
Rent & lease	63,853	36,857	2,620	9,986	2,390	115,706
Repairs & maintenance		87	77	3,670	340	4,174
Salaries	118,220	40,228	31,348	53,456	13,800	257,052
Rebates		145,688				145,688
Security	1,549					1,549
Apparel & uniforms	26,733	3,868			9,538	40,139
Supplies	29,851	26,761	446	4,994	3,003	65,055
Telephone	4,334	1,085	345	988	786	7,538
Tournament support	28,879				300	29,179
Utilities	1,272	364	321	543	149	2,649
Value in-kind expenses	111,360	700			4,082	116,142
	<u>\$ 887,650</u>	<u>\$ 355,104</u>	<u>\$ 247,659</u>	<u>\$ 237,398</u>	<u>\$ 108,009</u>	<u>\$ 1,835,820</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2008

	National Office	Fundraising	Board of Directors	Total
Bad debt	\$ 5,242	\$	\$ 5,980	\$ 11,222
Bank charges	1,403	1,549	717	3,669
Banquet			6,580	6,580
Computer	739	841	378	1,958
Contract labor	19,216			19,216
Depreciation & amortization	33,541			33,541
Duplication			496	496
Employee benefits	1,612	1,386	656	3,654
Gifts & protocol	17		194	211
Ground transportation		41		41
Hospitality			3,158	3,158
Insurance	3,169	3,423	4,636	11,228
Interest	1,409	1,522	719	3,650
Legal & accounting	1,063	5,573	197	6,833
Meals, entertainment & housing			3,799	3,799
Other expenses	808	25	364	1,197
Payroll taxes	1,867	2,016	954	4,837
Postage	120	475	473	1,068
Printing			9	9
Promotions		180		180
Property tax	63			63
Rent & lease	1,970	2,127	1,005	5,102
Repairs & maintenance	58	62	29	149
Salaries	22,373	24,167	11,574	58,114
Supplies	1,092	362	539	1,993
Telephone	259	283	1,457	1,999
Utilities	240	260	123	623
Value in-kind expenses	1,298	50	12	1,360
	<u>\$ 97,559</u>	<u>\$ 44,342</u>	<u>\$ 44,049</u>	<u>\$ 185,950</u>