

UNITED STATES RACQUETBALL ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2012

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER
—
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Racquetball Association, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States Racquetball Association, Inc. (Association)(a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation he overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT – CONTINUED

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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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2011 is derived from United States Racquetball Association, Inc.'s December 31, 2011, financial statements which were audited by other auditors whose report dated May, 14, 2012, expressed an unmodified opinion on those audited financial statements.

Osborne, Pausas & Koserker LLP

Colorado Springs, Colorado
November 13, 2013

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
With Comparative Totals for 2011

ASSETS			
		2012	2011
Current assets			
Cash and cash equivalents	\$	263,877	\$ 209,271
Accounts receivable, net		42,008	32,654
Prepaid expenses		3,560	5,500
Inventory		5,566	18,951
Total current assets		<u>315,011</u>	<u>266,376</u>
 Furniture and equipment, net		 146,598	 176,458
Other assets		<u>1,870</u>	<u>2,450</u>
 Total assets	\$	<u><u>463,479</u></u>	\$ <u><u>445,284</u></u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	239,295	\$ 217,577
Accounts payable - related party		14,789	-
Accrued liabilities		14,851	15,298
Deferred revenue		37,441	85,367
Current portion of notes payable		5,000	-
Line of credit		<u>-</u>	<u>18,000</u>
Total current liabilities		<u>311,376</u>	<u>336,242</u>
 Noncurrent liabilities			
Notes payable, net of current		5,000	-
Line of credit		<u>25,000</u>	<u>-</u>
Total noncurrent liabilities		<u>30,000</u>	<u>-</u>
 Total liabilities		<u><u>341,376</u></u>	<u><u>336,242</u></u>
 Net assets			
Unrestricted		91,373	77,812
Temporarily restricted		<u>30,730</u>	<u>31,230</u>
Total net assets		<u><u>122,103</u></u>	<u><u>109,042</u></u>
 Total liabilities and net assets	\$	<u><u>463,479</u></u>	\$ <u><u>445,284</u></u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
Revenue				
Grants	\$ 18,000	\$ -	\$ 18,000	\$ 18,000
Contributions	58,074	-	58,074	55,368
In-kind donations	23,145	-	23,145	18,850
Membership dues	550,501	-	550,501	592,040
Entry fees	306,854	-	306,854	324,816
Sponsorships	404,907	-	404,907	240,090
National events	235,486	-	235,486	228,090
Sale of merchandise, net	6,504	-	6,504	4,149
Magazine	37,760	-	37,760	81,077
Royalties	99,715	-	99,715	54,608
Other	5,686	-	5,686	6,459
Total revenue	<u>1,746,632</u>	<u>-</u>	<u>1,746,632</u>	<u>1,623,547</u>
Net assets released from restrictions				
Program	500	(500)	-	-
Total net assets released	<u>500</u>	<u>(500)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,747,132</u>	<u>(500)</u>	<u>1,746,632</u>	<u>1,623,547</u>
Expense				
Program				
Events	1,027,434	-	1,027,434	916,145
Membership	145,225	-	145,225	213,420
Development	280,994	-	280,994	207,413
Magazine	131,729	-	131,729	195,235
Total program	<u>1,585,382</u>	<u>-</u>	<u>1,585,382</u>	<u>1,532,213</u>
Support				
Management and general	135,814	-	135,814	143,286
Fundraising	12,375	-	12,375	38,163
Total support	<u>148,189</u>	<u>-</u>	<u>148,189</u>	<u>181,449</u>
Total expense	<u>1,733,571</u>	<u>-</u>	<u>1,733,571</u>	<u>1,713,662</u>
Change in net assets	13,561	(500)	13,061	(90,115)
Beginning net assets	<u>77,812</u>	<u>31,230</u>	<u>109,042</u>	<u>199,157</u>
Ending net assets	<u>\$ 91,373</u>	<u>\$ 30,730</u>	<u>\$ 122,103</u>	<u>\$ 109,042</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 13,061	\$ (90,115)
Adjustments to arrive at net cash from operating activities		
Noncash expense (income)		
Depreciation	29,860	29,963
Unrealized loss on investments	-	95
Obsolete inventory - write off	11,085	-
Changes in		
Accounts receivable, net	(9,354)	23,356
Prepaid expenses	1,940	5,638
Inventory	2,300	8,713
Other assets	580	2,210
Accounts payable	21,718	(10,851)
Accounts payable - related party	14,789	-
Accrued liabilities	(447)	(1,785)
Deferred revenue	(47,926)	(5,726)
Net cash provided (used) by operating activities	<u>37,606</u>	<u>(38,502)</u>
Cash flows from investing activities		
Purchase of fixed assets	-	(671)
Net cash used by investing activities	<u>-</u>	<u>(671)</u>
Cash flows from financing activities		
Repayments on line of credit	(5,000)	(7,000)
Proceeds from line of credit	12,000	-
Proceeds from notes payable	10,000	-
Net cash provided (used) by operating activities	<u>17,000</u>	<u>(7,000)</u>
Change in cash	54,606	(46,173)
Beginning cash	<u>209,271</u>	<u>255,444</u>
Ending cash	<u><u>\$ 263,877</u></u>	<u><u>\$ 209,271</u></u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are described below.

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.

Tax-exempt status - The Association is a non-profit corporation determined tax-exempt under Internal Revenue Code Section 501(c)(3). As a result of this determination, the Association may accept tax-deductible charitable contributions and is exempt from income tax on income resulting from activities carried on to further its exempt purpose, as well as certain other specific types of income.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of financial statements - Information regarding financial position and activities is reported using three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association did not have any permanently restricted net assets as of December 31, 2012.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

Temporarily restricted contributions and grants are reported as unrestricted contributions if the restrictions are met in the same reporting period in which the contribution is received. Contributions and grants with unmet restrictions are reported as restricted at the end of the year. When a donor restriction is met, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Definition of cash - For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered, with the exception of funds held in investment accounts to facilitate trading activities, to be cash.

Accounts receivable - Accounts receivable are stated at the amount the Association expects to collect from balances outstanding a year-end. Management closely monitors outstanding receivables and establishes an allowance for doubtful accounts, based on its experience and current knowledge.

Inventory - Inventory consisted of racquets, balls, clothing, gift service items and videotapes and is valued at the lower of cost or market.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and equipment - Property and equipment are carried at cost. Depreciation is provided on the straight-line basis over the estimated useful life of the asset. Assets having a useful life in excess of one year and cost \$500 or more are capitalized.

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

Schedule of functional expense - The costs of providing various program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2011, from which the summarized information was derived.

Reclassification - Certain prior-year amounts have been reclassified to conform to the current year presentation.

NOTE 1 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of:

Accounts receivable	\$ 46,999
Less allowance for doubtful accounts	(4,991)
	<u>\$ 42,008</u>

NOTE 2 – FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of:

	<u>Cost</u>	<u>Estimated lives</u>
Furniture	\$ 1,288	5 years
Equipment	310,332	5 - 10 years
Less accumulated depreciation	(165,022)	
	<u>\$ 146,598</u>	

Depreciation expense for 2012 was \$29,860.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 15, 2014. The line of credit bears interest at 2.0% over prime with a minimum rate of 6%, and is collateralized by inventory, equipment and accounts receivable. \$25,000 was outstanding under this line of credit at December 31, 2012. Total cash paid for interest on this line of credit during the year December 31, 2012, was \$1,243.

NOTE 4 – NOTES PAYABLE

Notes payable consist of:

During 2012, the Association entered into two \$5,000 loan agreements. The loans require 24 monthly payments of \$209, which includes interest at 6%. The final two payments are to be made during the month of December in 2014.

\$	10,000
	(5,000)
<u>\$</u>	<u>5,000</u>

Less current portion

Future minimum principal payments under the loan agreement are:

2013	\$	5,000
2014		5,000
	<u>\$</u>	<u>10,000</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

	Beginning balance	Additions	Released	Ending balance
Scholarship fund	\$ 31,105	\$ -	\$ (500)	\$ 30,605
Disabled Wheelchair Racquetball	125	-	-	125
	<u>\$ 31,230</u>	<u>\$ -</u>	<u>\$ (500)</u>	<u>\$ 30,730</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

In 2007, the Association entered into a content license agreement with the United States Olympic Committee. The Association received \$18,000 under this agreement for the year ended December 31, 2012.

The Association made payments to two vendors during the year ended December 31, 2012, who were related to an employee in a managerial position. The amount paid to these individuals was \$20,766.

Board members contributed \$9,644 to the Association during the year ended December 31, 2012.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – RETIREMENT PLAN

The Association sponsors a tax sheltered annuity pension plan. To be eligible to participate, an employee must have two years of continuous employment. Total pension expense for the year ended December 31, 2012, was \$15,938.

NOTE 8 – LEASES

Effective April 1, 2011, the Association entered into a three-year lease for office space. Under the terms of the lease, the Association is required to make monthly rent payments of \$2,022 through March 31, 2012, and \$2,114 through March 31, 2013. In September 2011, the Association entered into a five-year lease for a copier, which requires monthly payments of \$233. In July 2012, the Association entered into a lease agreement for a postage meter, which requires monthly payments of \$86. On April 25, 2012, the Association entered into a five-year lease for a telephone system, which requires monthly payments of \$180.

Total rent expense under the above leases amounted to \$31,356 for the year ended December 31, 2012.

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

2013	\$	25,530
2014		12,588
2015		4,590
2016		3,192
2017		1,494
Total	\$	<u>47,394</u>

NOTE 9 – FOUNDATION – RELATED PARTY

During 2008, USA Racquetball Foundation (Foundation) was created for the sole and exclusive purpose of supporting United States Racquetball Association, Inc.. The Foundation's main purpose was to provide financial assistance and support to the Association.

On June 1, 2013 the Foundation amended its articles of incorporation and broadened its purpose to promote and support the sport of racquetball within the United States, and to support the National Governing Body for the sport of racquetball.

NOTE 10 – INFORMATIONAL TAX RETURNS

The Association's informational tax returns are subject to examination by taxing authorities for a period of three years from the date filed. As of December 31, 2012, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2013, the date on which the financial statements were available to be issued.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – SUBSEQUENT EVENTS - continued

Subsequent to the issue of the financial statements, the Association entered into an occupancy lease at its existing headquarters location. The lease term is for twelve months, retroactively beginning on May 1, 2013, and the Association is to make monthly payments of \$1,650. The future minimum lease payments reflect this subsequent event (See NOTE 8).

ADDITIONAL INFORMATION

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER

—
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

Board of Directors
United States Racquetball Association, Inc.
Colorado Springs, Colorado

We have audited the financial statements of United States Racquetball Association, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated November 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expense is presented for the purposes of additional analysis and is not a required part of the 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 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 financial statements as a whole.

Osborne, Parsons & Rosacker LLP

Colorado Springs, Colorado
November 13, 2013

UNITED STATES RACQUETBALL ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for 2011

	Events	Membership	Development programs	Magazine	Total program	Management and general	Fundraising	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	114,728	39,953	55,716	52,678	263,075	35,166	7,453	305,694	310,596
Payroll taxes and benefits	15,660	5,507	7,679	7,261	36,107	4,847	1,027	41,981	44,233
	130,388	45,460	63,395	59,939	299,182	40,013	8,480	347,675	354,829
Contract labor	207,732	12,396	20,790	10,375	251,293	23,492	-	274,785	274,900
Rent	131,754	3,782	11,293	4,987	151,816	3,429	705	155,950	145,640
Discounts and rebates	-	-	45,901	4,000	49,901	-	-	49,901	122,306
Insurance	21,967	45,159	15,880	12,079	95,085	13,622	1,709	110,416	97,142
Awards	101,303	-	919	-	102,222	576	-	102,798	83,687
Printing	11,299	880	142	23,333	35,654	90	19	35,763	74,234
Meals, entertainment and housing	50,300	-	22,000	-	72,300	791	-	73,091	64,959
Tournament support	94,067	-	-	-	94,067	-	-	94,067	58,558
Miscellaneous	18,166	2,027	9,869	304	30,366	785	44	31,195	45,153
Travel	31,701	-	18,961	-	50,662	-	-	50,662	46,058
Supplies	26,347	273	1,007	981	28,608	1,546	65	30,219	42,757
Postage and shipping	20,898	636	2,217	6,527	30,278	226	227	30,731	39,092
Hospitality	46,639	-	-	-	46,639	84	-	46,723	38,559
Uniforms	27,447	-	1,052	-	28,499	-	-	28,499	34,067
Computer	5,783	18,751	1,547	1,337	27,418	1,118	232	28,768	30,472
Depreciation	-	-	-	-	-	29,860	-	29,860	29,963
Bank charges	10,231	9,721	4,095	583	24,630	402	201	25,233	27,206
Donations	16,273	-	41,875	-	58,148	-	-	58,148	19,262
Legal and accounting	2,945	1,024	1,428	2,202	7,599	4,687	191	12,477	16,912
In-kind expense	10,279	-	5,897	-	16,176	35	-	16,211	14,742
Utilities	6,029	1,215	2,122	1,493	10,859	2,110	202	13,171	13,061
Advertising	43,714	3,037	1,765	-	48,516	-	139	48,655	12,959
Memberships	655	-	925	-	1,580	38	-	1,618	8,665
Lease	2,068	864	1,205	1,139	5,276	761	161	6,198	6,598
Inventory obsolescence	-	-	-	-	-	11,085	-	11,085	-
Interest	111	-	-	-	111	1,064	-	1,175	1,195
Banquet	8,505	-	6,376	-	14,881	-	-	14,881	6,992
Bad debt	833	-	333	2,450	3,616	-	-	3,616	3,694
Total 2012	\$ 1,027,434	\$ 145,225	\$ 280,994	\$ 131,729	\$ 1,585,382	\$ 135,814	\$ 12,375	\$ 1,733,571	
Percent of total expenses - 2012	59.27%	8.38%	16.21%	7.60%	91.45%	7.83%	0.71%	100.00%	
2011 Total	\$ 916,145	\$ 213,420	\$ 207,413	\$ 195,235	\$ 1,532,213	\$ 143,286	\$ 38,163		\$ 1,713,662
Percent of total expenses - 2011	53.46%	12.45%	12.10%	11.39%	89.41%	8.36%	2.23%		100.00%