

UNITED STATES RACQUETBALL ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

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, 2014, 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the 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 qualified audit opinion.

INDEPENDENT AUDITORS' REPORT – CONTINUED

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Basis for Qualified Opinion

Due to the absence of internal controls and accounting records relating to the U.S. Open event, we were unable to obtain appropriate and sufficient audit evidence for the U.S. Open event's assets, liabilities, revenues, and expenses during the year ended December 31, 2014. Consequently, we were unable to determine whether material adjustments may be needed relating to the U.S. Open event.

Qualified Opinion

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform proper tests and procedures on the Association's U.S. Open event, 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, 2014, 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

We have previously audited the Association's 2013 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated January 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expense is presented for the purpose 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 & Horachuk LLP

Colorado Springs, Colorado
December 30, 2015

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
With Comparative Totals for 2013

ASSETS		2014	2013
		<u>2014</u>	<u>2013</u>
Current assets			
Cash and cash equivalents	\$	368,338	\$ 409,997
Accounts receivable		25,909	4,776
Prepaid expenses		38,454	20,696
Total current assets		<u>432,701</u>	<u>435,469</u>
Furniture and equipment, net		91,490	121,870
Other assets		<u>1,500</u>	<u>1,720</u>
Total assets	\$	<u><u>525,691</u></u>	<u><u>\$ 559,059</u></u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	257,291	\$ 227,084
Accrued liabilities		983	14,631
Deferred revenue		105,093	83,089
Notes payable		-	4,583
Line of credit		<u>5,000</u>	<u>5,000</u>
Total liabilities		368,367	334,387
Net assets			
Unrestricted		143,558	210,381
Temporarily restricted		<u>13,766</u>	<u>14,291</u>
Total net assets		<u>157,324</u>	<u>224,672</u>
Total liabilities and net assets	\$	<u><u>525,691</u></u>	<u><u>\$ 559,059</u></u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
Support and revenue				
Grants	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Contributions	97,855	1,475	99,330	97,475
In-kind donations	11,088	-	11,088	18,502
Membership dues	417,566	-	417,566	457,310
Entry fees	288,881	-	288,881	311,427
Other fees	65,897	-	65,897	30,780
Sponsorships	339,496	-	339,496	402,298
National events	128,098	-	128,098	197,184
Sale of merchandise, net	6,702	-	6,702	14,982
Magazine	13,810	-	13,810	19,618
Royalties	2,101	-	2,101	4,687
Other	10,194	-	10,194	8,381
Total support and revenue	<u>1,431,688</u>	<u>1,475</u>	<u>1,433,163</u>	<u>1,612,644</u>
Net assets released from restrictions				
Program	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Total net assets released	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,433,688</u>	<u>(525)</u>	<u>1,433,163</u>	<u>1,612,644</u>
Expense				
Program	<u>1,330,717</u>	<u>-</u>	<u>1,330,717</u>	<u>1,312,629</u>
Support				
Management and general	143,939	-	143,939	133,530
Fundraising	25,855	-	25,855	63,916
Total support	<u>169,794</u>	<u>-</u>	<u>169,794</u>	<u>197,446</u>
Total expense	<u>1,500,511</u>	<u>-</u>	<u>1,500,511</u>	<u>1,510,075</u>
Change in net assets	(66,823)	(525)	(67,348)	102,569
Beginning net assets	<u>210,381</u>	<u>14,291</u>	<u>224,672</u>	<u>122,103</u>
Ending net assets	<u>\$ 143,558</u>	<u>\$ 13,766</u>	<u>\$ 157,324</u>	<u>\$ 224,672</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (67,348)	\$ 102,569
Adjustments to arrive at net cash (used) provided by operating activities		
Noncash expense		
Depreciation	30,380	29,853
Obsolete inventory - write off	-	5,566
Changes in		
Accounts receivable	(21,133)	37,232
Prepaid expenses	(17,758)	(17,136)
Other assets	220	150
Accounts payable	30,207	(12,211)
Accounts payable - related party	-	(14,789)
Accrued liabilities	(13,648)	(220)
Deferred revenue	22,004	45,648
Net cash (used) provided by operating activities	<u>(37,076)</u>	<u>176,662</u>
Cash flows from investing activities		
Purchase of fixed assets	-	(5,125)
Net cash used by investing activities	<u>-</u>	<u>(5,125)</u>
Cash flows from financing activities		
Repayments on line of credit	-	(20,000)
Repayment of notes payable	(4,583)	(5,417)
Net cash used by investing activities	<u>(4,583)</u>	<u>(25,417)</u>
Change in cash	(41,659)	146,120
Beginning cash	<u>409,997</u>	<u>263,877</u>
Ending cash	<u><u>\$ 368,338</u></u>	<u><u>\$ 409,997</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 nonprofit 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, 2014.

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.

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.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts receivable - Accounts receivable are stated at the amount the Association expects to collect. Management closely monitors outstanding receivables and establishes an allowance for doubtful accounts based on its experience and current knowledge. Management has determined that no allowance was necessary as of December 31, 2014.

Membership dues - Membership dues consist of one-year, three-year, and life-time memberships. 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, 2013, from which the summarized information was derived.

Advertising costs - All advertising costs are expensed when incurred. Advertising expense for 2014, was \$8,590.

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

NOTE 1 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash	\$ 485
Checking accounts	361,010
Money market accounts	6,843
Total cash and cash equivalents	<u>\$ 368,338</u>

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of:

Accounts receivable	\$ 25,909
Less allowance for doubtful accounts	-
	<u>\$ 25,909</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of:

	<u>Cost</u>	<u>Estimated lives</u>
Furniture and equipment	\$ 316,747	5-10 years
Less accumulated depreciation	(225,257)	
	<u>\$ 91,490</u>	

Depreciation expense for 2014 was \$30,380.

NOTE 4 – LINE OF CREDIT AGREEMENT

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 15, 2016. 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. \$5,000 was outstanding under this line of credit at December 31, 2014. Total cash paid for interest on this line of credit during 2014, was \$302.

NOTE 5 – NOTES PAYABLE

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 loans were paid off during 2014.

Total cash paid for interest on the notes during 2014, was \$275.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Released</u>	<u>Ending balance</u>
Scholarship fund	\$ 14,291	\$ 1,475	\$ (2,000)	\$ 13,766

NOTE 7 – RELATED PARTY TRANSACTIONS

In 2007, the Association entered into a content license agreement with the United States Olympic Committee. The Association received \$50,000 under this agreement for 2014.

Board members contributed \$3,900 to the Association during 2014.

The Association paid a board member \$15,078 for contract labor and expenses during 2014.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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 2014, was \$2,869.

NOTE 9 – LEASES

Effective February 1, 2014, the Association entered into a twenty-three month lease for office space. Under the terms of the lease, the Association is required to make monthly rent payments of \$1,600 through December 31, 2015.

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 \$85. 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 \$21,753 for the year ended December 31, 2014. The Association rents other equipment for events under short term agreements.

Building and equipment	\$ 21,753
Events	94,414
Total rent expense for 2014	<u>\$ 116,167</u>

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

2015	\$ 23,782
2016	2,928
2017	720
Total	<u>\$ 27,430</u>

NOTE 10 – CONTRACT AGREEMENT

Effective February 1, 2014, the Association entered into a contract agreement for broadcasting services through December 31, 2016. Under the terms of the contract, the Association is required to make monthly payments of \$250. The broadcasting expense under the above contract agreement totaled \$7,000 for the year ended December 31, 2014.

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

2015	\$ 3,000
2016	3,000
Total	<u>\$ 6,000</u>

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – 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 12 – CONCENTRATIONS OF CREDIT RISK

Cash deposits at a financial institution regularly exceed federally the insured limit of \$250,000. The Association has not experienced any losses in such accounts, and does not believe it is exposed to any significant credit risks. As of December 31, 2014, there was an uninsured balance of \$43,471.

NOTE 13 – 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, 2014, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2015, the date on which the financial statements were available to be issued.

ADDITIONAL INFORMATION

UNITED STATES RACQUETBALL ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013

	Program	Management and general	Fundraising	2014	2013
Salaries	\$ 195,398	\$ 26,129	\$ 5,680	\$ 227,207	\$ 268,398
Payroll taxes and benefits	36,085	4,825	1,049	41,959	33,966
	<u>231,483</u>	<u>30,954</u>	<u>6,729</u>	<u>269,166</u>	<u>302,364</u>
Contract labor	180,616	16,886	-	197,502	155,551
Rent	99,904	13,359	2,904	116,167	116,921
Tournament support	155,713	3,178	-	158,891	158,399
Awards	78,405	1,600	-	80,005	79,138
National team expense	60,816	-	-	60,816	-
Insurance	51,398	6,873	1,494	59,765	100,965
Legal and accounting	35,203	22,295	1,173	58,671	11,277
Discounts and rebates	58,580	-	-	58,580	52,714
Miscellaneous	43,077	5,760	1,252	50,089	26,993
Printing	33,077	4,423	962	38,462	25,157
Hospitality	34,871	712	-	35,583	34,151
Meals and lodging	32,138	656	-	32,794	69,255
Travel	31,734	-	-	31,734	50,433
Player premiums	31,406	-	-	31,406	26,155
Depreciation	26,126	3,494	760	30,380	29,853
Technology	23,408	3,130	680	27,218	40,332
Donations	26,614	-	-	26,614	49,072
Postage and shipping	19,883	2,659	578	23,120	18,845
Bank charges	-	22,161	-	22,161	25,002
Coach, trainer and athlete support	16,875	-	-	16,875	-
Supplies	13,364	1,787	388	15,539	24,732
Conferences and meetings	14,870	303	-	15,173	14,518
In-kind expense	11,088	-	-	11,088	18,502
Utilities	9,857	1,318	287	11,462	13,296
Advertising	-	-	8,590	8,590	46,043
Broadcasting	7,000	-	-	7,000	-
Equipment lease	2,012	269	58	2,339	6,236
Dues and subscriptions	-	1,545	-	1,545	2,025
Uniforms	1,199	-	-	1,199	927
Interest	-	577	-	577	918
Bad debt	-	-	-	-	10,301
Total 2014	<u>\$ 1,330,717</u>	<u>\$ 143,939</u>	<u>\$ 25,855</u>	<u>\$ 1,500,511</u>	
Percent total expenses - 2014	<u>88.68%</u>	<u>9.59%</u>	<u>1.72%</u>	<u>100.00%</u>	
Total 2013	<u>\$ 1,312,629</u>	<u>\$ 133,530</u>	<u>\$ 63,916</u>		<u>\$ 1,510,075</u>
Percent total expenses - 2013	<u>86.92%</u>	<u>8.84%</u>	<u>4.23%</u>		<u>100.00%</u>