

UNITED STATES RACQUETBALL ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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, 2015. Consequently, we were unable to determine whether material adjustments may be needed relating to the U.S. Open event.

Qualified Opinion

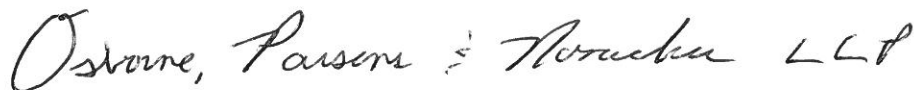
In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform proper tests and procedures on the Association's U.S. Open event, the financial statements referred to above present fairly, in all material respects, the financial position of United States Racquetball Association, Inc. as of December 31, 2015, 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 2014 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated December 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Additional Information

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.



Colorado Springs, Colorado
November 3, 2016

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
With Comparative Totals for 2014

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	\$ 367,109	\$ 368,338
Accounts receivable	25,361	25,909
Prepaid expenses	65,154	38,454
Total current assets	<u>457,624</u>	<u>432,701</u>
 Furniture and equipment, net	 63,805	 91,490
Other assets	<u>3,100</u>	<u>1,500</u>
 Total assets	 <u><u>\$ 524,529</u></u>	 <u><u>\$ 525,691</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 221,865	\$ 257,291
Accrued liabilities	2,935	983
Deferred revenue	80,764	105,093
Line of credit	-	5,000
Total liabilities	<u>305,564</u>	<u>368,367</u>
 Net assets		
Unrestricted	203,859	143,558
Temporarily restricted	<u>15,106</u>	<u>13,766</u>
Total net assets	<u>218,965</u>	<u>157,324</u>
 Total liabilities and net assets	 <u><u>\$ 524,529</u></u>	 <u><u>\$ 525,691</u></u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	Unrestricted	Temporarily restricted	Totals	
			2015	2014
Support and revenue				
Grants	\$ 52,500	\$ -	\$ 52,500	\$ 50,000
Contributions	77,756	3,340	81,096	99,330
In-kind donations	49,487	-	49,487	11,088
Membership dues	440,398	-	440,398	417,566
Entry fees	336,657	-	336,657	288,881
Other fees	60,246	-	60,246	65,897
Sponsorships	431,165	-	431,165	339,496
National events	138,958	-	138,958	128,098
Sale of merchandise, net	4,192	-	4,192	6,702
Magazine	13,464	-	13,464	13,810
Royalties	2,301	-	2,301	2,101
Other	1,279	-	1,279	10,194
Interest	2	-	2	-
Total support and revenue	<u>1,608,405</u>	<u>3,340</u>	<u>1,611,745</u>	<u>1,433,163</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>1,610,405</u>	<u>1,340</u>	<u>1,611,745</u>	<u>1,433,163</u>
Expense				
Program	<u>1,383,376</u>	<u>-</u>	<u>1,383,376</u>	<u>1,330,717</u>
Support				
Management and general	144,592	-	144,592	143,939
Fundraising	<u>22,136</u>	<u>-</u>	<u>22,136</u>	<u>25,855</u>
Total support	<u>166,728</u>	<u>-</u>	<u>166,728</u>	<u>169,794</u>
Total expense	<u>1,550,104</u>	<u>-</u>	<u>1,550,104</u>	<u>1,500,511</u>
Change in net assets	60,301	1,340	61,641	(67,348)
Beginning net assets	<u>143,558</u>	<u>13,766</u>	<u>157,324</u>	<u>224,672</u>
Ending net assets	<u>\$ 203,859</u>	<u>\$ 15,106</u>	<u>\$ 218,965</u>	<u>\$ 157,324</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 61,641	\$ (67,348)
Adjustments to arrive at net cash provided (used) by operating activities		
Noncash expense		
Depreciation	31,379	30,380
Changes in		
Accounts receivable	548	(21,133)
Prepaid expenses	(26,700)	(17,758)
Other assets	(1,600)	220
Accounts payable	(35,426)	30,207
Accrued liabilities	1,952	(13,648)
Deferred revenue	(24,329)	22,004
Net cash provided (used) by operating activities	<u>7,465</u>	<u>(37,076)</u>
Cash flows from investing activities		
Purchase of fixed assets	(3,694)	-
Net cash used by investing activities	<u>(3,694)</u>	<u>-</u>
Cash flows from financing activities		
Repayments on line of credit	(5,000)	-
Repayment of notes payable	-	(4,583)
Net cash used by investing activities	<u>(5,000)</u>	<u>(4,583)</u>
Change in cash	(1,229)	(41,659)
Beginning cash	<u>368,338</u>	<u>409,997</u>
Ending cash	<u><u>\$ 367,109</u></u>	<u><u>\$ 368,338</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. The Association's sources of revenue and support are predominantly in membership dues, sponsorships, and event entry fees with other support being generated through national events, contributions and grants, and other sources.

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, 2015.

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.

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 \$1,000 or more are capitalized.

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, 2015.

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, 2014, from which the summarized information was derived.

Advertising costs - All advertising costs are expensed when incurred. Advertising expense for 2015, was \$5,254.

NOTE 1 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash	\$	360
Checking accounts		361,903
Money market accounts		4,846
Total cash and cash equivalents	\$	<u>367,109</u>

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of:

Accounts receivable	\$	25,361
Less allowance for doubtful accounts		-
	\$	<u>25,361</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	\$ 320,441	5-10 years
Less accumulated depreciation	(256,636)	
	<u>\$ 63,805</u>	

Depreciation expense for 2015 was \$31,379.

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. This line of credit did not have an outstanding balance at December 31, 2015. Total cash paid for interest on this line of credit during 2015, was \$82.

NOTE 5 – 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	\$ 13,766	\$ 3,340	\$ (2,000)	\$ 15,106

NOTE 6 – 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 2015.

Board members and management contributed \$28,655 to the Association during 2015.

The Association paid a board member \$16,676 for contract services and expenses during 2015.

Subsequent to the year ending December 31, 2015, the owner of two vendors with which the Association contracts business, was appointed to the Board of Directors. During 2015, the Association paid \$19,615 to these vendors for contracted services.

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 2015, was \$6,353.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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.

On December 8, 2015, the Association did not renew the above lease and entered into a separate thirty-two month lease for office space effective from January 1, 2016 to August 31, 2018, for monthly rent payments of \$1,600.

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. In April 2012, the Association entered into a five-year lease for a telephone system, which requires monthly payments of \$180. In December 2014, the Association entered into a five-year lease for a copier, which requires monthly payments of \$350. Total rent expense under the above leases amounted to \$27,982 for the year ended December 31, 2015. The Association rents other equipment for events under short term agreements.

Facility rentals for 2015	<u>\$ 98,601</u>
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Future minimum lease payments for the years ending December 31, are as follows:

2016	\$ 26,328
2017	24,120
2018	17,000
2019	<u>3,850</u>
Total	<u>\$ 71,298</u>

NOTE 9 – 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 total broadcasting expense under the above contract agreement was \$11,934 for the year ended December 31, 2015.

Future minimum contract payments for the year ending December 31, 2016, is \$3,000

NOTE 10 – 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 is 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.

Subsequent to the year ending December 31, 2015, the Foundation separated and is no longer affiliated with providing financial assistance and support to the Association.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – 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, 2015, there was an uninsured balance of \$50,170.

NOTE 12 – CONCENTRATIONS OF REVENUE

During 2015, membership dues accounted for 28%, sponsorships accounted for 27%, and entry fees accounted for 21% of total support and revenue.

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, 2015, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to the year ending December 31, 2015, the owner of two vendors with which the Association contracts business was appointed to the Board of Directors. (See NOTE 6)

Subsequent to the year ending December 31, 2015, the USA Racquetball Foundation is no longer affiliated with the Association. (See NOTE 10)

Management has evaluated subsequent events through November 3, 2016, 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, 2015
With Comparative Totals for 2014

	Program	Management and general	Fundraising	2015	2014
Salaries	\$ 174,245	\$ 23,300	\$ 5,065	\$ 202,610	\$ 227,207
Payroll taxes and benefits	43,787	5,855	1,273	50,915	41,959
	<u>218,032</u>	<u>29,155</u>	<u>6,338</u>	<u>253,525</u>	<u>269,166</u>
Contract labor	171,574	16,041	-	187,615	197,502
Tournament support	188,740	3,852	-	192,592	158,891
Rent	108,610	14,523	3,157	126,290	116,167
Awards	115,779	2,363	-	118,142	80,005
Discounts and rebates	63,835	-	-	63,835	58,580
Insurance	54,307	7,262	1,579	63,148	59,765
Legal and accounting	34,435	21,809	1,148	57,392	58,671
Miscellaneous	43,061	5,758	1,252	50,071	50,089
In-kind expense	49,487	-	-	49,487	11,088
Printing	32,817	4,388	954	38,159	38,462
Player premiums	34,864	-	-	34,864	31,406
National team expense	34,579	-	-	34,579	60,816
Travel	32,292	-	-	32,292	31,734
Depreciation	26,986	3,609	784	31,379	30,380
Donations	28,952	-	-	28,952	26,614
Hospitality	28,103	574	-	28,677	35,583
Bank charges	-	25,212	-	25,212	22,161
Technology	21,280	2,846	619	24,745	27,218
Postage and shipping	16,771	2,243	488	19,502	23,120
Meals and lodging	16,831	343	-	17,174	32,794
Coach, trainer, and athlete support	15,391	-	-	15,391	16,875
Conferences and meetings	11,914	243	-	12,157	15,173
Broadcasting	11,934	-	-	11,934	7,000
Utilities	9,722	1,300	283	11,305	11,462
Supplies	7,663	1,025	223	8,911	15,539
Advertising	-	-	5,254	5,254	8,590
Equipment lease	1,977	264	57	2,298	2,339
Equipment expense	2,208	-	-	2,208	-
Dues and subscriptions	-	1,700	-	1,700	1,545
Uniforms	1,232	-	-	1,232	1,199
Interest	-	82	-	82	577
Total 2015	<u>\$ 1,383,376</u>	<u>\$ 144,592</u>	<u>\$ 22,136</u>	<u>\$ 1,550,104</u>	
Percent total expenses - 2015	<u>89.24%</u>	<u>9.33%</u>	<u>1.43%</u>	<u>100.00%</u>	
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>