

***UNITED STATES RACQUETBALL ASSOCIATION, INC.***

***FINANCIAL STATEMENTS***

***AND***

***ADDITIONAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2016***

**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, 2016, 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 sufficient appropriate audit evidence about the U.S. Open event's assets, liabilities, revenues, and expenses during the year ended December 31, 2016. 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 the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of United States Racquetball Association, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Association's 2015 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated November 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 on page 11 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, 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, except for the possible effects on the additional information of the matters discussed in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Osborne, Parsons & Mosack LLP*

Colorado Springs, Colorado  
November 1, 2017

**UNITED STATES RACQUETBALL ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**With Comparative Totals for 2015**

<b>ASSETS</b>		<b>2016</b>	<b>2015</b>
<b>Current assets</b>			
Cash and cash equivalents	\$	428,978	\$ 367,109
Accounts receivable		25,680	22,861
Pledges receivable - related party		2,500	2,500
Prepaid expenses		7,736	65,154
Total current assets		<u>464,894</u>	<u>457,624</u>
 Furniture and equipment, net		 32,737	 63,805
Other assets		<u>1,600</u>	<u>3,100</u>
 <b>Total assets</b>	<b>\$</b>	<b><u>499,231</u></b>	<b><u>\$ 524,529</u></b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$	199,683	\$ 221,865
Accrued liabilities		1,967	2,935
Deferred revenue		81,361	80,764
Total current liabilities		<u>283,011</u>	<u>305,564</u>
 <b>Net assets</b>			
Unrestricted		198,979	203,859
Temporarily restricted		17,241	15,106
Total net assets		<u>216,220</u>	<u>218,965</u>
 <b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>499,231</u></b>	<b><u>\$ 524,529</u></b>

See notes to financial statements

**UNITED STATES RACQUETBALL ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**  
**With Comparative Totals for 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
<b>Support and revenue</b>				
Grants	\$ 56,024	\$ -	\$ 56,024	\$ 52,500
Contributions	49,562	4,135	53,697	81,096
In-kind donations	83,891	-	83,891	49,487
Membership dues	442,359	-	442,359	440,398
Entry fees	293,654	-	293,654	336,657
Other fees	62,662	-	62,662	60,246
Sponsorships	379,706	-	379,706	431,165
National events	160,320	-	160,320	138,958
Sale of merchandise, net	3,927	-	3,927	4,192
Magazine	15,074	-	15,074	13,464
Royalties	473	-	473	2,301
Other	3,388	-	3,388	1,279
Interest	2	-	2	2
Total support and revenue	<u>1,551,042</u>	<u>4,135</u>	<u>1,555,177</u>	<u>1,611,745</u>
<b>Net assets released from restrictions</b>				
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>
<b>Total revenue</b>	<u>1,553,042</u>	<u>2,135</u>	<u>1,555,177</u>	<u>1,611,745</u>
<b>Expense</b>				
Program	<u>1,397,333</u>	<u>-</u>	<u>1,397,333</u>	<u>1,383,376</u>
Support				
Management and general	138,547	-	138,547	144,592
Fundraising	22,042	-	22,042	22,136
Total support	<u>160,589</u>	<u>-</u>	<u>160,589</u>	<u>166,728</u>
<b>Total expense</b>	<u>1,557,922</u>	<u>-</u>	<u>1,557,922</u>	<u>1,550,104</u>
<b>Change in net assets</b>	(4,880)	2,135	(2,745)	61,641
<b>Beginning net assets</b>	<u>203,859</u>	<u>15,106</u>	<u>218,965</u>	<u>157,324</u>
<b>Ending net assets</b>	<u>\$ 198,979</u>	<u>\$ 17,241</u>	<u>\$ 216,220</u>	<u>\$ 218,965</u>

See notes to financial statements

**UNITED STATES RACQUETBALL ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**  
**With Comparative Totals for 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,745)	\$ 61,641
Adjustments to arrive at net cash provided by operating activities		
Noncash expense		
Depreciation	31,068	31,379
Changes in		
Accounts receivable	(2,819)	548
Prepaid expenses	57,418	(26,700)
Other assets	1,500	(1,600)
Accounts payable	(22,182)	(35,426)
Accrued liabilities	(968)	1,952
Deferred revenue	597	(24,329)
<b>Net cash provided by operating activities</b>	<u>61,869</u>	<u>7,465</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	-	(3,694)
<b>Net cash used by investing activities</b>	<u>-</u>	<u>(3,694)</u>
<b>Cash flows from financing activities</b>		
Repayments on line of credit	-	(5,000)
<b>Net cash used by investing activities</b>	<u>-</u>	<u>(5,000)</u>
<b>Change in cash</b>	61,869	(1,229)
<b>Beginning cash</b>	<u>367,109</u>	<u>368,338</u>
<b>Ending cash</b>	<u><u>\$ 428,978</u></u>	<u><u>\$ 367,109</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, 2016.

**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, 2016.

**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.

**Advertising costs** - All advertising costs are expensed when incurred. Advertising expense for 2016 was \$6,085.

**Reclassification** - Certain prior year amounts have been reclassified to conform to the current year presentation. Specifically, pledges receivable – related party was reclassified from accounts receivable on the Statement of Financial Position. The reclassification had no effect on previously reported net assets.

**NOTE 1 – SUMMARIZED COMPARATIVE INFORMATION**

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, 2015, from which the summarized information was derived.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Checking accounts	\$ 424,130
Money market accounts	4,848
Total cash and cash equivalents	<u>\$ 428,978</u>

**UNITED STATES RACQUETBALL ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of:

Accounts receivable	\$ 25,680
Less allowance for doubtful accounts	-
	<u>\$ 25,680</u>

**NOTE 4 – 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	<u>(287,704)</u>	
	<u>\$ 32,737</u>	

Depreciation expense for 2016 was \$31,068.

**NOTE 5 – LINE OF CREDIT AGREEMENT**

The Association has a \$25,000 line of credit agreement with a commercial bank which expires August 15, 2017. 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, 2016, and no cash was paid for interest on this line of credit during 2016.

**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	\$ 15,106	\$ 1,635	\$ (2,000)	\$ 14,741
Time	-	2,500	-	2,500
	<u>\$ 15,106</u>	<u>\$ 4,135</u>	<u>\$ (2,000)</u>	<u>\$ 17,241</u>

**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 2016.

Board members and management contributed \$17,045 to the Association during 2016. Of this amount \$2,500 was due from a board member as of December 31, 2016.

The Association paid a board member \$17,122 for contract services and expenses during 2016.

During 2016, the Association paid \$25,962 to three vendors which were owned by board members.

**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 2016, was \$5,640.

**NOTE 9 – LEASES**

On December 8, 2015, the Association entered into a thirty-two month lease for office space effective from January 1, 2016 to August 31, 2018. Monthly rent payments under the lease agreement are \$1,600.

In July 2012, the Association entered into a sixty-three month 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. The Association rents storage space on a month-to-month basis for \$181.

Total rent expense under the above leases amounted to \$29,541 for the year ended December 31, 2016. The Association rents other equipment for events under short term agreements. Facility rentals for 2016 were \$92,663.

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

2017	\$	24,120
2018		17,000
2019		3,850
Total	\$	<u>44,970</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 total broadcasting expense under the above contract agreement was \$2,388 for the year ended December 31, 2016.

**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, 2016, there was an uninsured balance of \$17,305.

**NOTE 12 – CONCENTRATIONS OF REVENUE**

During 2016, membership dues accounted for 28%, sponsorships accounted for 24%, and entry fees accounted for 19% of total support and revenue.

**UNITED STATES RACQUETBALL ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**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, 2016, 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 November 1, 2017, 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, 2016**  
**With Comparative Totals for 2015**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2016</b>	<b>2015</b>
Salaries	\$ 159,878	\$ 21,379	\$ 4,648	\$ 185,905	\$ 202,610
Payroll taxes and benefits	37,857	5,062	1,101	44,020	50,915
	<u>197,735</u>	<u>26,441</u>	<u>5,749</u>	<u>229,925</u>	<u>253,525</u>
Contract labor	167,907	15,698	-	183,605	187,615
Tournament support	159,464	3,254	-	162,718	192,592
Rent	98,745	13,204	2,871	114,820	126,290
Awards	105,273	2,148	-	107,421	118,142
In-kind expense	83,891	-	-	83,891	49,487
Discounts and rebates	80,717	-	-	80,717	63,835
Insurance	57,276	7,659	1,665	66,600	63,148
National team expense	60,855	-	-	60,855	34,579
Legal and accounting	29,134	18,452	971	48,557	57,392
Miscellaneous	39,184	5,240	1,139	45,563	50,071
Printing	35,312	4,722	1,027	41,061	38,159
Player premiums	40,536	-	-	40,536	34,864
Hospitality	39,512	806	-	40,318	28,677
Travel	32,845	-	-	32,845	32,292
Depreciation	26,718	3,573	777	31,068	31,379
Bank charges	-	26,850	-	26,850	25,212
Technology	22,997	3,075	669	26,741	24,745
Donations	22,768	-	-	22,768	28,952
Meals and lodging	20,760	424	-	21,184	17,174
Coach, trainer, and athlete support	17,099	-	-	17,099	15,391
Conferences and meetings	14,624	298	-	14,922	12,157
Postage and shipping	11,935	1,596	347	13,878	19,502
Supplies	10,066	1,346	293	11,705	8,911
Utilities	9,074	1,213	264	10,551	11,305
Equipment lease	6,350	849	185	7,384	2,298
Advertising	-	-	6,085	6,085	5,254
Broadcasting	4,960	-	-	4,960	11,934
Dues and subscriptions	-	1,699	-	1,699	1,700
Equipment expense	1,046	-	-	1,046	2,208.00
Uniforms	550	-	-	550	1,232
Interest	-	-	-	-	82
Total 2016	<u>\$ 1,397,333</u>	<u>\$ 138,547</u>	<u>\$ 22,042</u>	<u>\$ 1,557,922</u>	
Percent total expenses - 2016	<u>89.70%</u>	<u>8.89%</u>	<u>1.41%</u>	<u>100.00%</u>	
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>