

UNITED STATES RACQUETBALL ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent auditors' report	1
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6
Additional information	
Schedule of functional expense	12

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE
COLORADO SPRINGS, COLORADO 80903-1005

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, 2017, 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

Page 2

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, 2017. Consequently, we were unable to determine whether material adjustments may be needed relating to the U.S. Open event.

Qualified Opinion

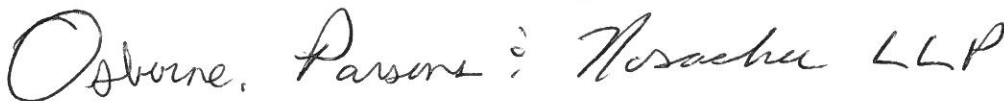
In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of United States Racquetball Association, Inc. as of December 31, 2017, and 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 2016 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated November 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 12 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.



Colorado Springs, Colorado
September 24, 2018

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
With Comparative Totals for 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 478,098	\$ 428,978
Accounts receivable	12,680	25,680
Pledges receivable	5,000	-
Pledges receivable - related party	2,500	2,500
Prepaid expenses	15,583	7,736
Total current assets	<u>513,861</u>	<u>464,894</u>
Noncurrent assets		
Furniture and equipment, net	1,260	32,737
Intangible assets, net	4,584	-
Goodwill	29,064	-
Other assets	1,600	1,600
Total noncurrent assets	<u>36,508</u>	<u>34,337</u>
Total assets	<u><u>\$ 550,369</u></u>	<u><u>\$ 499,231</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 177,132	\$ 199,683
Accrued liabilities	4,247	1,967
Deferred revenue	102,804	81,361
Notes payable - current portion	9,600	-
Total current liabilities	<u>293,783</u>	<u>283,011</u>
Noncurrent liabilities		
Notes payable, net of current	26,400	-
Unamortized discount	(3,834)	-
Total noncurrent liabilities	<u>22,566</u>	<u>-</u>
Total liabilities	<u>316,349</u>	<u>283,011</u>
Net assets		
Unrestricted	212,679	198,979
Temporarily restricted	21,341	17,241
Total net assets	<u>234,020</u>	<u>216,220</u>
Total liabilities and net assets	<u><u>\$ 550,369</u></u>	<u><u>\$ 499,231</u></u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Support and revenue				
USOC support	\$ 52,524	\$ -	\$ 52,524	\$ 52,524
Grants	3,500	-	3,500	3,500
Contributions	44,535	8,600	53,135	53,697
In-kind donations	58,860	-	58,860	83,891
Membership dues	406,255	-	406,255	442,359
Entry fees	334,805	-	334,805	293,654
Other fees	56,756	-	56,756	62,662
Sponsorships	406,342	-	406,342	379,706
National events	105,446	-	105,446	160,320
Sale of merchandise, net	3,295	-	3,295	3,927
Magazine	3,135	-	3,135	15,074
Royalties	749	-	749	473
Other	13,917	-	13,917	3,388
Interest	1	-	1	2
Total support and revenue	<u>1,490,120</u>	<u>8,600</u>	<u>1,498,720</u>	<u>1,555,177</u>
Net assets released from restrictions				
Program	2,000	(2,000)	-	-
Time	2,500	(2,500)	-	-
Total net assets released	<u>4,500</u>	<u>(4,500)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,494,620</u>	<u>4,100</u>	<u>1,498,720</u>	<u>1,555,177</u>
Expense				
Program	<u>1,314,695</u>	<u>-</u>	<u>1,314,695</u>	<u>1,397,333</u>
Support				
Management and general	145,431	-	145,431	138,547
Fundraising	20,794	-	20,794	22,042
Total support	<u>166,225</u>	<u>-</u>	<u>166,225</u>	<u>160,589</u>
Total expense	<u>1,480,920</u>	<u>-</u>	<u>1,480,920</u>	<u>1,557,922</u>
Change in net assets	13,700	4,100	17,800	(2,745)
Beginning net assets	<u>198,979</u>	<u>17,241</u>	<u>216,220</u>	<u>218,965</u>
Ending net assets	<u>\$ 212,679</u>	<u>\$ 21,341</u>	<u>\$ 234,020</u>	<u>\$ 216,220</u>

See notes to financial statements

UNITED STATES RACQUETBALL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 17,800	\$ (2,745)
Adjustments to arrive at net cash provided by operating activities		
Noncash expense		
Depreciation	31,477	31,068
Amortization	416	-
Imputed interest expense	502	-
Bad debt expense	1,500	-
Changes in		
Accounts receivable	11,500	(2,819)
Pledges receivable	(5,000)	-
Prepaid expenses	(7,847)	57,418
Other assets	-	1,500
Accounts payable	(22,551)	(22,182)
Accrued liabilities	2,280	(968)
Deferred revenue	21,443	597
Net cash provided by operating activities	<u>51,520</u>	<u>61,869</u>
Cash flows from financing activities		
Repayment of note payable	(2,400)	-
Net cash used by investing activities	<u>(2,400)</u>	<u>-</u>
Change in cash	49,120	61,869
Beginning cash	<u>428,978</u>	<u>367,109</u>
Ending cash	<u><u>\$ 478,098</u></u>	<u><u>\$ 428,978</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, 2017.

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

Accounts and Pledges Receivable - Accounts and pledges 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, 2017.

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.

Impairment of Goodwill - The Association acquired goodwill in connection with a note issued for the purchase of intangible assets during 2017. The Association evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Association first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. The impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Association estimates the fair values of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Association's evaluation of goodwill completed during the year resulted in no impairment losses.

Membership Dues - Membership dues consist of one-year, three-year, and lifetime 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 2017 was \$3,516.

Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation. Specifically, USOC support and grant revenue are reported separately on the statement of activities. These reclassifications had no effect on previously reported net assets.

Recent Accounting Pronouncement - In January 2017, the Financial Accounting Services Board (FASB) published Accounting Standards Update (ASU) No. 2017-04, which simplifies the required test for goodwill impairment by changing from a two-step method to a one-step method for evaluating possible impairment. Due to the simplification of the impairment test, the Association finds the changes in the ASU preferable and has implemented an early adoption of the method.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

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, 2016, from which the summarized information was derived.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Checking accounts	\$ 473,249
Money market accounts	4,849
Total cash and cash equivalents	<u>\$ 478,098</u>

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of:

	<u>Cost</u>	<u>Estimated Lives</u>
Furniture and equipment	\$ 320,441	5-10 years
Less accumulated depreciation	(319,181)	
	<u>\$ 1,260</u>	

Depreciation expense for 2017 was \$31,477.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets consist of:

	<u>Assigned Cost</u>	<u>Amortization Period</u>
Database	\$ 5,000	3 years
Less accumulated amortization	(416)	
	<u>\$ 4,584</u>	

Amortization expense for 2017 was \$416.

UNITED STATES RACQUETBALL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – NOTES PAYABLE

Noninterest bearing note payable issued in connection with the purchase of World Outdoor Racquetball, payable in 48 monthly installments of \$800, maturing September 1, 2021. Discount is based on imputed interest rate of 6%. Imputed interest expense was \$502 for 2017.

\$ 36,000

Unamortized discount on note

(3,834)

Total notes payable - less unamortized discount on note

32,166

Less current portion

(9,600)

\$ 22,566

Principal payments for years subsequent to December 31, 2017, are:

<u>December 31,</u>	
2018	\$ 9,600
2019	9,600
2020	9,600
2021	7,200
Unamortized discount on note	(3,834)
Total	<u>\$ 32,166</u>

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	\$ 14,741	\$ 1,100	\$ (2,000)	\$ 13,841
Time	2,500	7,500	(2,500)	7,500
	<u>\$ 17,241</u>	<u>\$ 8,600</u>	<u>\$ (4,500)</u>	<u>\$ 21,341</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 2017.

Board members and management contributed \$4,250 to the Association during 2017. Of this amount \$2,500 was due from a board member as of December 31, 2017.

The Association paid two board members \$38,433 for contract services and expenses during 2017.

During 2017, the Association paid \$30,459 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 2017, was \$1,334.

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 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 \$26,521 for the year ended December 31, 2017. The Association rents other equipment for events under short term agreements. Facility rentals for 2017 were \$85,338.

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

2018	\$	17,000
2019		3,850
Total	\$	<u>20,850</u>

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

Cash deposits at a financial institution regularly exceed the federally insured limit of \$250,000. The Association has not experienced any losses on such accounts, and does not believe it is exposed to any significant credit risks. As of December 31, 2017, there was an uninsured balance of \$31,590.

NOTE 11 – CONCENTRATIONS OF REVENUE

During 2017, membership dues accounted for 27%, sponsorships accounted for 27%, and entry fees accounted for 22% of total support and revenue.

NOTE 12 – NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2017, the Association issued a note payable for \$38,000, in connection with the acquisition of intangible assets (See Notes 4 and 5).

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, 2017, 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 September 24, 2018, 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, 2017
With Comparative Totals for 2016

	Program	Management and General	Fundraising	Totals	
				2017	2016
Salaries	\$ 190,365	\$ 25,456	\$ 5,534	\$ 221,355	\$ 185,905
Payroll taxes and benefits	30,234	4,043	879	35,156	44,020
	<u>220,599</u>	<u>29,499</u>	<u>6,413</u>	<u>256,511</u>	<u>229,925</u>
Contract labor	125,375	11,722	-	137,097	183,605
Tournament support	161,625	3,298	-	164,923	162,718
Rent	93,134	12,454	2,707	108,295	114,820
Awards	98,304	2,006	-	100,310	107,421
Insurance	64,178	8,582	1,866	74,626	66,600
Miscellaneous	61,124	8,174	1,777	71,075	45,563
In-kind expense	58,860	-	-	58,860	83,891
Legal and accounting	30,377	19,239	1,013	50,629	48,557
Hospitality	49,012	1,000	-	50,012	40,318
Discounts and rebates	48,037	-	-	48,037	80,717
Printing	38,162	5,103	1,109	44,374	41,061
Travel	37,694	-	-	37,694	32,845
Meals and lodging	32,522	664	-	33,186	21,184
National team expense	32,075	-	-	32,075	60,855
Depreciation and amortization	27,429	3,668	797	31,894	31,068
Bank charges	-	28,347	-	28,347	26,850
Player premiums	27,229	-	-	27,229	40,536
Technology	19,397	2,594	564	22,555	26,741
Postage and shipping	19,207	2,568	558	22,333	13,878
Donations	19,475	-	-	19,475	22,768
Coach, trainer, and athlete support	14,325	-	-	14,325	17,099
Conferences and meetings	12,038	246	-	12,284	14,922
Utilities	8,585	1,148	250	9,983	10,551
Supplies	6,855	917	199	7,971	11,705
Broadcasting	7,630	-	-	7,630	4,960
Advertising	-	-	3,516	3,516	6,085
Dues and subscriptions	-	2,087	-	2,087	1,699
Bad debt	-	1,500	-	1,500	-
Equipment lease	847	113	25	985	7,384
Equipment expense	600	-	-	600	1,046
Interest	-	502	-	502	-
Uniforms	-	-	-	-	550
Total 2017	<u>\$ 1,314,695</u>	<u>\$ 145,431</u>	<u>\$ 20,794</u>	<u>\$ 1,480,920</u>	
Percent total expenses - 2017	<u>88.80%</u>	<u>9.80%</u>	<u>1.40%</u>	<u>100.00%</u>	
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>8.90%</u>	<u>1.40%</u>		<u>100.00%</u>