

United States Racquetball Association
dba USA Racquetball
(a nonprofit Colorado corporation)
Colorado Springs, Colorado

Financial Statements

December 31, 2023



USA Racquetball

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Independent Auditors' Report

To the Board of Directors
United States Racquetball Association
dba USA Racquetball
Colorado Springs, Colorado

Qualified Opinion

We have audited the accompanying financial statements of United States Racquetball Association dba USA Racquetball (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material aspects, the financial position of USA Racquetball as of December 31, 2023, 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.

Basis for Qualified Opinion

Due to missing or unavailable supporting documentaiton over cash disbursements we were unable to obtain sufficient appropriate audit evidence about the occurrence, existence, and completeness of the expense-related transactions of USA Racquetball during the year ended December 31, 2023 by other auditing procedures. Consequently, we were unable to determine whether material adjustments may be needed. Accordingly, the effects of any potential misstatements on the financial statements have not been determined because it was not practicable to do so.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of USA Racquetball and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Independent Auditors' Report (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Racquetball's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USA Racquetball's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Racquetball's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mountain West Advisors, LLC

Certified Public Accountant

Littleton, Colorado
July 16, 2024

USA Racquetball

Statement of Financial Position

December 31, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 176,978
Pledges and grants receivable - related party	25,000
Pledges receivable	4,250
Prepaid expenses	21,180
Total current assets	<u>227,408</u>

Property and Equipment

Furniture and equipment	320,441
Less accumulated depreciation	<u>(320,441)</u>
Net property and equipment	<u>-</u>

Non-Current Assets

Intangibles	34,064
Less accumulated amortization	<u>(22,439)</u>
Total non-current assets	<u>11,625</u>

Total assets \$ 239,033

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 7,866
Accrued expenses	20,997
Deferred revenue	85,016
Total current liabilities	<u>113,879</u>

Non-current Liabilities

Long-term debt, net of current portion	<u>150,000</u>
Total non-current liabilities	<u>150,000</u>

Total liabilities 263,879

Net Assets (Deficit)

Without donor restrictions	(205,021)
With donor restrictions	<u>180,175</u>

Total net assets (24,846)

Total liabilities and net assets \$ 239,033

The accompanying Notes are an integral part of these financial statements

USA Racquetball

Statement of Activities

Year ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Support			
Grants and contributions	\$ 78,881	\$ 54,200	\$ 133,081
USOPC support	132,600	25,000	157,600
In-kind contributions	108,108	-	108,108
Net assets released from restrictions			
Expiration of time restrictions	11,790	(11,790)	-
Total operating support	<u>331,379</u>	<u>67,410</u>	<u>398,789</u>
Revenue			
Membership dues	261,294	-	261,294
Event income	121,459	-	121,459
Sponsorships	44,000	-	44,000
Other revenue	14,645	-	14,645
Total operating revenue	<u>441,398</u>	<u>-</u>	<u>441,398</u>
Total operating support and revenue	<u>772,777</u>	<u>67,410</u>	<u>840,187</u>
Expenses			
Program services	573,135	-	573,135
Supporting services			
General and administrative	126,573	-	126,573
Fundraising	12,988	-	12,988
Total expenses	<u>712,696</u>	<u>-</u>	<u>712,696</u>
Total support and revenue in excess of expenses	<u>60,081</u>	<u>67,410</u>	<u>127,491</u>
Other Changes			
Other income	14,096	-	14,096
Interest	369	-	369
Total other changes	<u>14,465</u>	<u>-</u>	<u>14,465</u>
Change in Net Assets	<u>74,546</u>	<u>67,410</u>	<u>141,956</u>
Net Assets (Deficit), Beginning of Year	<u>(279,567)</u>	<u>112,765</u>	<u>(166,802)</u>
Net Assets (Deficit), End of Year	<u>\$ (205,021)</u>	<u>\$ 180,175</u>	<u>\$ (24,846)</u>

The accompanying Notes are an integral part of these financial statements

USA Racquetball

Statement of Functional Expenses

Year ended December 31, 2023

	Program Expenses	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries	\$ 117,936	\$ 4,500	\$ 4,500	\$ 9,000	\$ 126,936
Payroll taxes	3,089	-	-	-	3,089
Employee benefits	1,274	-	-	-	1,274
Total personnel costs	122,299	4,500	4,500	9,000	131,299
Program and event expenses	224,031	150	-	150	224,181
Travel	70,511	19,888	-	19,888	90,399
Insurance	40,380	17,507	-	17,507	57,887
Professional fees	7,279	40,096	-	40,096	47,375
Contract labor	27,251	14,025	-	14,025	41,276
Information technology	34,618	4,947	-	4,947	39,565
Occupancy	-	17,839	-	17,839	17,839
Bank and merchant fees	16,340	455	-	455	16,795
Postage and shipping	10,855	112	-	112	10,967
Dues and subscriptions	1,900	250	7,196	7,446	9,346
Advertising and promotions	4,645	455	1,292	1,747	6,392
Office expenses and supplies	4,511	1,405	-	1,405	5,916
Miscellaneous	3,543	795	-	795	4,338
Interest expense	-	4,124	-	4,124	4,124
Amortization	2,907	-	-	-	2,907
Scholarships	2,065	-	-	-	2,065
Conferences and meetings	-	25	-	25	25
Total operating expenses	\$ 573,135	\$ 126,573	\$ 12,988	\$ 139,561	\$ 712,696

The accompanying Notes are an integral part of these financial statements

USA Racquetball

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended December 31, 2023

Cash Flows From Operating Activities

Change in net assets	\$ 141,956
Adjustments to reconcile change in net assets to net cash used by operating activities	
Amortization	2,907
Increase (decrease) from changes in assets and liabilities	
Pledges receivable	7,540
Pledges and grants receivable - related party	(21,498)
Prepaid expenses	(14,209)
Accounts payable	(61,237)
Accrued expenses	12,131
Deferred revenue	(45,817)
Net cash provided by operating activities	<u>21,773</u>

Cash Flows From Financing Activities

Principal payments on noted payable	(4,215)
Net cash used by financing activities	<u>(4,215)</u>

Net Increase in Cash and Cash Equivalents **17,558**

Cash and Cash Equivalents, Beginning of Year **159,420**

Cash and Cash Equivalents, End of Year **\$ 176,978**

Supplemental Information

Cash paid for interest	<u>\$ 7,051</u>
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USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. The United States Racquetball Association dba USA Racquetball ("the 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.

Basis of Accounting. The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. The Association considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Pledges and Grants Receivable. Pledges and grants receivable are recognized only when the conditions on which they depend are substantially met and the pledges and grants become unconditional. Pledges and grants receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual amounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to pledges and grants receivable. Management believes that all pledges and grants receivable are fully collectible at December 31, 2023. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Association's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally three to ten years for furniture and equipment. All property and equipment was fully depreciated at December 31, 2023, therefore there was no depreciation expense for the year ended December 31, 2023.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the year ended December 31, 2023.

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Intangible Assets - The Association acquired goodwill in connection with a note issued for the purchase of intangible assets during 2017. In 2018, the Association adopted the accounting alternative for goodwill available to nonprofit organizations under FASB ASC 350-20. Accordingly, the Association began amortizing goodwill prospectively as of January 1, 2018, on a straight-line basis over 10 years. The Association evaluates goodwill for impairment at the asset level when a triggering event occurs that indicates that the fair value of the asset may be below its carrying amount. When a triggering event occurs, the Association first assesses qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Association performs the quantitative test to compare the asset's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the asset over its fair value.

No triggering events occurred during the year ended December 31, 2023, that required goodwill impairment testing and, accordingly, no impairment loss was recorded during the year ended December 31, 2023.

Deferred Revenue. Prepayments of membership, program fees, and events are deferred and recognized as revenue in the applicable future period when the services are provided, and the related expenses are incurred.

Basis of Net Asset Presentation. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose restriction is accomplished. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Grants and Contributions. Grants and contributions are recognized when donations are received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grants and contributions are recognized.

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition.

Events and Sponsorships. The majority of the Association's exchange revenue arrangements generally consist of a single performance obligation to transfer promised goods or services.

Membership Fees. Revenue from membership fees is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing the related services. The Association recognizes revenue from membership fees as the Association satisfies performance obligations under its contracts, which is ratably over the membership term.

Transaction Price. The transaction price of a contract with a customer is the amount of consideration to which the Association expects to be entitled in exchange for transferring promised goods and services to the customer.

For the year ended December 31, 2023, the Association recognized revenue of \$180,104, from goods and services that transfer to the customer at a point in time and \$261,294 from services that transfer to the customer over time.

Contract Balances. The following table provides information about the Association's receivables from contracts with customers at December 31, 2023:

Deferred revenue, beginning of year	\$	130,833
Deferred revenue, end of year	\$	85,016

The Association's contracts do not include significant financing components.

Contributed Facilities and Services. Contributed facilities are recorded at fair market value at the time of donation. Services are recognized if the services received satisfy the criteria for recognition. Contributed services are recognized if services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation.

The Association recorded the following in-kind activity during the year ended December 31, 2023:

		<u>Usage</u>
Executive director services	\$ 90,000	Executive Director services for program, management and general, and fundraising
Facilities use	<u>18,108</u>	Lodging for athletes and office space
	<u>\$ 108,108</u>	

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed Facilities and Services (continued).

In-kind service contributions were valued using estimated average hourly wage for identical services using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. No in-kind contributions were restricted. The Association only uses services for its own program or supporting service activities. In-kind contributed facilities were valued using like-kind methodology for similar size houses or apartments and office space. No in-kind contributions were restricted. The Association does not sell donated gifts in-kind and only uses services and facilities for its own program or supporting service activities.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Advertising. The Association expenses advertising costs, including donated advertising, as incurred. Total advertising expense for the year ended December 31, 2023 was \$6,392.

Income Taxes. The Association is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events. The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 16, 2024, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

On January 1, 2023, the Association adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. Under this guidance, the Association is required to measure expected credit losses on financial assets measured at amortized cost, including accounts receivable, using a forward-looking approach. The Association calculates the allowance for credit losses utilizing historical data, current economic conditions, and reasonable and supportable forecasts that affect the collectability of the receivables.

The adoption of ASU 2016-13 did not have a material impact on the Association's financial position, results of operations, or cash flows. However, it resulted in changes to the Association's accounting policies, procedures, and internal controls related to the estimation and recording of credit losses on accounts receivable. The Association estimates credit losses on accounts receivable using a provision matrix approach, which considers historical loss rates adjusted for current market conditions and other relevant factors. The provision matrix takes into account factors such as customer creditworthiness, payment history, aging of receivables, industry trends, and economic indicators. The Association monitors its allowance for credit losses regularly and adjusts it as necessary to reflect changes in economic conditions and credit risk. Changes in the allowance for credit losses are recognized in the statement of comprehensive income as "Provision for credit losses."

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 2 – New Accounting Pronouncement (continued)

As of December 31, 2023, there was no allowance for credit losses on accounts

Note 3 – Note Payable

On August 1, 2020, the Association obtained an Economic Injury Disaster Loan ("EIDL") in the amount of \$150,000 from the U.S. Small Business Administration (SBA). The EIDL note matures September 15, 2050 and bears interest at a rate of 2.75% per annum. Monthly installments totaling \$641 commenced on January 1, 2023 and will be applied to all accrued interest prior to being applied to principal and interest. Accrued interest totaled \$5,239 at December 31, 2023. The loan is secured by all assets.

Scheduled maturities of the long-term notes payable are as follows:

Year ended December 31	Total
2024	\$ -
2025	1,913
2026	3,666
2027	3,768
2028	3,873
Thereafter	136,780
	<u>\$ 150,000</u>

Note 4 – Net Assets with Donor Restrictions

The balances of net assets with donor restrictions are as follows:

	Jan 1, 2023 Balance	Additions	Releases	Dec 31, 2023 Balance
<i>Time restrictions:</i>				
Pledges receivable	\$ 11,790	\$ 29,200	\$ 11,790	\$ 29,200
<i>Purpose restrictions:</i>				
Scholarship Fund	12,475	-	-	12,475
Athlete Development Program	38,500	-	-	38,500
Sport Development and Growth	50,000	-	-	50,000
Estate of CP (US Open)	-	50,000	-	50,000
Total	<u>\$ 112,765</u>	<u>\$ 79,200</u>	<u>\$ 11,790</u>	<u>\$ 180,175</u>

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 5 – Related Party Transactions

The Association entered into a content license agreement with the United States Olympic and Paralympic Committee (USOPC) to received \$50,000 for the year ended December 31, 2023. During 2023, the Association also received a "Digital Engagement Platform" grant from the USOPC for totaling \$25,000. This has been recorded in the statement of activities for the year ended December 31, 2023 and was shown as a grant receivable - related party on the statement of financial position at December 31, 2023. During 2023, the Association also received various grants from the USOPC for payroll, software, other projects, and administrative costs totaling \$82,600.

During 2023, board members and Executive Director contributed \$11,235 to the Association.

During 2023, the Association paid \$5,500 to three board members as part of the Athlete Development Program and a coaching stipend.

Note 6 – Retirement Plan

The Association maintains a tax-deferred compensation plan under Section 401(k) of the Internal Revenue Code. All full-time employees 21 years and older become eligible for the co-funded 401k Retirement Plan ("the Plan") after completion of 90 days of continuous service. This plan is designed for both employee and employer to contribute toward the employee's retirement. The Association matches the employee's contribution up to 5% of the employee's gross salary. The amounts contributed by the Association to this plan during the year ended December 31, 2023 was \$148.

Note 7 – Liquidity, Availability of Resources, and Results of Operations

The accompanying financial statements have been prepared assuming the Association will continue as a going concern. As of December 31, 2023, the Association had a deficit in its net assets without donor restrictions totaling \$205,021. During the year ended December 31, 2023, the Association reduced its December 31, 2022 deficit totaling \$279,567 to \$205,021 as of December 31, 2023. While this is significant, the Association's ability to continue as a going concern is dependent upon its ability to continue to reduce operating expenses and increase support and revenue.

Subsequent to the year ended December 31, 2023, the Association continued to implemented plans for continued operations, which consisted of changes to expand revenues, and to reduce expenses, and to increase overall working capital. The results of these plans and actions are regularly monitored and are reviewed monthly by management and the board.

The Association receives significant grants and contributions that are restricted by donors/grantors, and considers grants and contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Association has a goal to maintain financial assets, which consist of cash and cash equivalents on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$160,000. To achieve these guiding principles, the Association forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

USA Racquetball

Notes to Financial Statements

December 31, 2023

Note 7 – Liquidity, Availability of Resources, and Results of Operations (continued)

The Association's financial assets available for general expenditures within one year are as follows at December 31, 2023:

Financial assets at year-end:

Cash and cash equivalents	\$ 176,978
Pledges and grants receivable - related party	25,000
Grants and pledges receivable	<u>4,250</u>
	206,228
Financial assets available for general expenditures within one year	<u>\$ 206,228</u>

Note 8 – Concentrations of Credit Risk

Major Donors. The Association received 20% of its total support and revenue from the USOPC during the year ended December 31, 2023.