

**NATIONAL WHEELCHAIR
BASKETBALL ASSOCIATION**

Financial Statements

For the Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Wheelchair Basketball
Association
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of National Wheelchair Basketball Association (a non-profit organization) as of June 30, 2010 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Association's June 30, 2009 financial statements and, in our report dated November 19, 2009, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Wheelchair Basketball Association as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Waugh & Goodwin, LLP
January 7, 2011

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Statement of Financial Position

June 30, 2010

(With Comparative Amounts for 2009)

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 77,296	\$ 633,213
Accounts receivable		16,250
Prepaid expenses	7,480	4,303
Investments (Note B)	<u>469,268</u>	<u>419,892</u>
Total current assets	554,044	1,073,658
PROPERTY AND EQUIPMENT:		
Land	114,096	
Building	486,411	
Furniture & fixtures	8,450	
Equipment	15,255	15,255
Less accumulated depreciation	<u>(24,936)</u>	<u>(12,008)</u>
Property and equipment - net	599,276	3,247
OTHER ASSETS:		
Non-current investments (Note C)	168,199	168,199
Trademark	<u>2,226</u>	<u>2,226</u>
Total other assets	<u>170,425</u>	<u>170,425</u>
TOTAL ASSETS	<u>\$ 1,323,745</u>	<u>\$ 1,247,330</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 22,324	\$ 4,255
Accrued liabilities	15,239	8,874
Line of credit (Note E)	40,000	
Deferred revenue - USOC (Note F)	<u></u>	<u>16,809</u>
Total current liabilities	77,563	29,938
NET ASSETS:		
Unrestricted	1,057,944	1,029,154
Unrestricted - board designated (Note C)	168,199	168,199
Temporarily restricted (Note D)	<u>20,039</u>	<u>20,039</u>
Total net assets	<u>1,246,182</u>	<u>1,217,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,323,745</u>	<u>\$ 1,247,330</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
SUPPORT AND REVENUE:				
Telemarketing	\$ 571,973	\$	\$ 571,973	\$ 720,340
Sponsorship and donations	173,710		173,710	64,393
USOC grants (Note F)	119,309		119,309	108,716
National tournament	96,381		96,381	129,660
Membership dues	71,250		71,250	84,000
Investment income	58,329		58,329	13,821
Miscellaneous	8,417		8,417	2,311
Rental income - net of expenses of \$14,040	5,807		5,807	
Coupon book sales				<u>4,287</u>
Total support and revenue	1,105,176		1,105,176	1,127,528
EXPENSES:				
Program services:				
National	324,989		324,989	352,636
International	<u>171,577</u>		<u>171,577</u>	<u>59,485</u>
Total program services	496,566		496,566	412,121
Supporting services:				
Fundraising	455,854		455,854	491,664
General and administrative	<u>123,966</u>		<u>123,966</u>	<u>85,192</u>
Total supporting services	<u>579,820</u>		<u>579,820</u>	<u>576,856</u>
Total expenses	<u>1,076,386</u>		<u>1,076,386</u>	<u>988,977</u>
CHANGE IN NET ASSETS	28,790		28,790	138,551
NET ASSETS, beginning of year	<u>1,197,353</u>	<u>20,039</u>	<u>1,217,392</u>	<u>1,078,841</u>
NET ASSETS, end of year	<u>\$ 1,226,143</u>	<u>\$ 20,039</u>	<u>\$ 1,246,182</u>	<u>\$ 1,217,392</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Schedule of Functional Expenses
For the Year Ended June 30, 2010

	Program Services			Supporting Services			Total Program & Supporting Services
	National	International	Total	Fundraising	General and Administrative	Total	
	\$	\$	\$	\$	\$	\$	\$
Fundraising contract	122,930	69,660	192,590	455,854	12,293	455,854	455,854
Travel	63,679	27,291	90,970		22,743	12,293	204,883
Salary & benefits	580	28,403	28,983			22,743	113,713
Registration & entry fees	38,992		38,992				28,983
Outside services	27,750		27,750				38,992
Donations to teams	13,967	13,968	27,935				27,750
Referees & scorekeepers							27,935
Building Maintenance					12,961	12,961	12,961
Legal & accounting fees					21,852	21,852	21,852
Stipends		21,100	21,100				21,100
Bank service charges					19,318	19,318	19,318
Miscellaneous	6,819	76	6,895		8,258	8,258	15,153
Depreciation	3,232	3,232	6,464		6,463	6,463	12,927
Telephone & internet	6,987	1,906	8,893		3,811	3,811	12,704
Insurance	11,217		11,217		1,246	1,246	12,463
Occupancy	2,932	2,094	5,026		3,350	3,350	8,376
Prizes	8,139		8,139				8,139
Board of directors					7,518	7,518	7,518
Printing & postage	3,582	1,628	5,210		1,302	1,302	6,512
Operating supplies	3,060	2,040	5,100		567	567	5,667
Office supplies	3,910		3,910		978	978	4,888
Trainers	4,350		4,350				4,350
Development	2,500		2,500				2,500
Dues & subscription					1,263	1,263	1,263
Permits & licenses	363	179	542				542
Interest					43	43	43
	\$ 324,989	\$ 171,577	\$ 496,566	\$ 455,854	\$ 123,966	\$ 579,820	\$ 1,076,386

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Statement of Cash Flows

For the Year Ended June 30, 2010

(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 28,790	\$ 138,551
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,927	1,712
Realized and unrealized (gain) loss on investments	(34,056)	(341)
Changes in assets and liabilities:		
Decrease in accounts receivable	16,250	(7,612)
Increase in prepaid expenses	(3,176)	1,187
Increase in accounts payable	18,069	(4,083)
Increase in accrued liabilities	6,365	2,079
Decrease in deferred revenue	<u>(16,809)</u>	<u>(45,759)</u>
Total adjustments	<u>(430)</u>	<u>(52,817)</u>
Net cash provided by operating activities	28,360	85,734
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(608,957)	
Increase in investments	<u>(15,320)</u>	<u>(471,619)</u>
Net cash used by investing activities	(624,277)	(471,619)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit advances	<u>40,000</u>	
Net cash provided by financing activities	<u>40,000</u>	
NET DECREASE IN CASH	(555,917)	(385,885)
CASH AND CASH EQUIVALENTS, beginning of year	<u>633,213</u>	<u>1,019,098</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 77,296</u>	<u>\$ 633,213</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Notes to Financial Statements

For the Year Ended June 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

National Wheelchair Basketball Association (the Association) is a not-for-profit corporation whose mission and principal activities are to coordinate and promote wheelchair basketball and to provide competitive outlets to disabled participants. These services are funded primarily by dues and donations.

Contributions

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor restrictions specify how the donated assets must be used.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and savings accounts.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 7, 2011, the date that the financial statements were available to be issued.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the donor history with donors having outstanding balances and current relationships with them, it has concluded that any realization losses on balances outstanding at year-end will be immaterial.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are carried at market value. Realized and unrealized gains and losses are reflected in the statement of activities and are available for current operations.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is generally exempt from federal and state income taxes and accordingly no provision for income taxes is recorded in the financial statements.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740, "Income Taxes", which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Association's income tax returns. The Association adopted the standard effective July 1, 2009.

The Association's income tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2006-2009. The Association believes that its operations have been conducted in accordance with its tax-exempt status.

Property and Equipment

Property and equipment are recorded at cost when purchased or fair market value if donated. Depreciation of the building is provided on a straight-line basis over an estimated useful life of forty years. The Associations equipment is being depreciated over five to ten years.

Depreciation expense for the years ended June 30, 2010 and 2009 amounted to \$12,927 and \$1,712, respectively.

Trademark

During 2004, the Association trademarked the National Wheelchair Basketball Association logo. The trademark is recorded at cost and is deemed to have an indefinite life. The trademark is reviewed annually to determine if its carrying value has been impaired. Any impairment to the asset will be charged against earnings in the period that the loss is deemed to have occurred.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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 June 30, 2009, from which the summarized information was derived.

B. FAIR VALUE MEASUREMENTS

The Association applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2010 and 2009:

Assets at Fair Value as of June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal bonds	\$ 354,236			\$ 354,236
Mutual funds	139,041			139,041
Equities	94,272			94,272
Money market	<u>49,918</u>			<u>49,918</u>
	<u>\$ 637,467</u>	<u>\$</u>	<u>\$</u>	<u>\$ 637,467</u>

Assets at Fair Value as of June 30, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal bonds	\$ 323,097			\$ 323,097
Mutual funds	127,355			127,355
Equities	83,241			83,241
Money market	<u>54,398</u>			<u>54,398</u>
	<u>\$ 588,091</u>	<u>\$</u>	<u>\$</u>	<u>\$ 588,091</u>

C. BOARD-DESIGNATED NET ASSETS

During fiscal 2004, an endowment fund was established by the Board of Directors in order to provide the Association with funds to promote wheelchair basketball. No portion of the principal amounts contributed to the endowment fund may be used or distributed by the Association unless otherwise approved by a two-thirds vote of the Board of Directors. However, income earned from the principal may be used by the Association. During the year ended June 30, 2010, no contributions were made to the endowment fund.

Notes to Financial Statements

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 are restricted for the following purpose:

The Wayne Fund	\$ <u>20,039</u>
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Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose. No net assets were released from restrictions during the year ended June 30, 2010.

E. LINE OF CREDIT

The Association has a \$250,000 line of credit available. The line requires interest at 2.8% above the LIBOR index and is due December 25, 2010. As of June 30, 2010, the Association had borrowed \$40,000 on this line of credit.

F. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Association for sport management and team preparation. Grant revenue from the USOC for the year ended June 30, 2010 consists of the following:

Paralympic management	\$ <u>119,309</u>
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At June 30, 2009, the Association was owed \$16,250 by the USOC.

G. CONCENTRATIONS

During the year ended June 30, 2010 the Association received approximately 51% of its total unrestricted support and revenue from its professional fundraising agreement.