

**NATIONAL WHEELCHAIR
BASKETBALL ASSOCIATION**

Financial Statements

For the Year Ended June 30, 2011

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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 nonprofit corporation) as of June 30, 2011, 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, 2010 financial statements and, in our report dated January 7, 2011 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 that 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, 2011, 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
September 6, 2011

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Statement of Financial Position
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 58,301	\$ 77,296
Prepaid expenses	5,088	7,480
Investments (Note B)	<u>526,633</u>	<u>469,268</u>
Total current assets	590,022	554,044
PROPERTY AND EQUIPMENT:		
Land	114,096	114,096
Building	486,411	486,411
Furniture & fixtures	8,450	8,450
Equipment	15,255	15,255
Less accumulated depreciation	<u>(38,929)</u>	<u>(24,936)</u>
Property and equipment - net	585,283	599,276
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>\$ 1,345,730</u>	<u>\$ 1,323,745</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,351	\$ 22,324
Accrued liabilities	8,593	15,239
Deferred revenue		35,000
Line of credit (Note E)		<u>40,000</u>
Total current liabilities	16,944	112,563
NET ASSETS:		
Unrestricted	1,140,548	1,022,944
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>1,328,786</u>	<u>1,211,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,345,730</u>	<u>\$ 1,323,745</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
SUPPORT AND REVENUE:				
Telemarketing	\$ 481,026	\$	\$ 481,026	\$ 571,973
USOC grants (Note F)	140,500		140,500	119,309
Sponsorship and donations	117,550		117,550	138,710
Membership dues	76,050		76,050	71,250
Investment income	66,436		66,436	58,329
National tournament	34,628		34,628	96,381
Other	31,232		31,232	
Rental income - net of expenses of \$23,267 and \$14,040	3,921		3,921	5,807
Miscellaneous	<u>3,766</u>		<u>3,766</u>	<u>8,417</u>
Total support and revenue	955,109		955,109	1,070,176
EXPENSES:				
Program services:				
National	247,266		247,266	324,989
International	151,500		151,500	171,577
Public awareness	<u>88,695</u>		<u>88,695</u>	
Total program services	487,461		487,461	496,566
Supporting services:				
Fundraising	206,954		206,954	455,854
General and administrative	<u>143,090</u>		<u>143,090</u>	<u>123,966</u>
Total supporting services	<u>350,044</u>		<u>350,044</u>	<u>579,820</u>
Total expenses	<u>837,505</u>		<u>837,505</u>	<u>1,076,386</u>
CHANGE IN NET ASSETS	117,604		117,604	(6,210)
NET ASSETS, beginning of year	<u>1,191,143</u>	<u>20,039</u>	<u>1,211,182</u>	<u>1,217,392</u>
NET ASSETS, end of year	<u>\$ 1,308,747</u>	<u>\$ 20,039</u>	<u>\$ 1,328,786</u>	<u>\$ 1,211,182</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Schedule of Functional Expenses
For the Year Ended June 30, 2011

	Program Services			Supporting Services			Total Program & Supporting Services
	National	International	Public Awareness	Total	Fundraising	General and Administrative	
	\$	\$	\$	\$	\$	\$	\$
Fundraising			88,695	88,695	206,954		206,954
Telemarketing	5,630			5,630		601	88,695
Advertising	36,278	30,175		66,453		2,902	6,231
Travel	84,852	36,575		121,427		24,871	69,355
Salary & benefits						22,260	146,298
Legal & accounting fees						7,146	22,260
Registration & entry fees		43,699		43,699		167	50,845
Registration & entry fees		1,426		1,426			1,593
Outside services	1,510			1,510			1,510
Donations to teams	19,173			19,173			19,173
Referees & scorekeepers		30		30			30
Building maintenance		22,500		22,500			22,500
Stipends							
Bank service charges							
Miscellaneous	2,179			2,179		15,681	15,681
Depreciation						4,303	4,303
Telephone & internet						13,993	13,993
Insurance	11,865			11,865		9,587	9,587
Occupancy	17,340			17,340		3,285	15,150
Prizes	12,756	17		12,773		6,573	23,913
Board of directors						21,919	12,773
Printing & postage	54	1,090		1,144		2,242	21,919
Operating supplies	2,978	194		3,172		495	3,386
Office supplies						5,238	3,667
Trainers		13,794		13,794			5,238
Banquets	939			939			13,794
Dues & subscription		2,000		2,000		1,050	939
Interest						777	3,050
Classification	7,053			7,053			777
Team grants	20,000			20,000			7,053
ABC scholarship	16,150			16,150			20,000
Intercollegiate national tournament	8,509			8,509			16,150
	\$ 247,366	\$ 151,500	\$ 88,695	\$ 487,461	\$ 206,954	\$ 143,090	\$ 8,509
							\$ 837,505

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Statement of Cash Flows

For the Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 117,604	\$ (6,210)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,993	12,927
Realized and unrealized (gain) loss on investments	(40,609)	(34,056)
Changes in assets and liabilities:		
Decrease in accounts receivable		16,250
Decrease in prepaid expenses	2,392	(3,176)
Decrease in accounts payable	(13,973)	18,069
Decrease in accrued liabilities	(6,646)	6,365
Decrease in deferred revenue	<u>(35,000)</u>	<u>18,191</u>
Total adjustments	<u>(79,843)</u>	<u>34,570</u>
Net cash provided by operating activities	37,761	28,360
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(608,957)
Increase in investments	<u>(16,756)</u>	<u>(15,320)</u>
Net cash used by investing activities	(16,756)	(624,277)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit	<u>(40,000)</u>	<u>40,000</u>
Net cash provided (used) by financing activities	<u>(40,000)</u>	<u>40,000</u>
NET DECREASE IN CASH	(18,995)	(555,917)
CASH AND CASH EQUIVALENTS, beginning of year	<u>77,296</u>	<u>633,213</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 58,301</u>	<u>\$ 77,296</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Notes to Financial Statements

For the Year Ended June 30, 2011

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 September 6, 2011, the date that the financial statements were available to be issued.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 tax returns.

The Association's income tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2007-2010. 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 Association's equipment is being depreciated over five to ten years.

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to \$13,993 and \$12,927, 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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2010, 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.
- 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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

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, 2011 and 2010:

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 352,579	\$	\$	\$ 352,579
Equity	174,507			174,507
Equities	152,784			152,784
Money market	14,962			14,962
	<u>\$ 694,832</u>	<u>\$</u>	<u>\$</u>	<u>\$ 694,832</u>

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				
Equity	97,462			97,462
Fixed income	41,579			41,579
Equities	94,272			94,272
Money market	49,918			49,918
	<u>\$ 637,467</u>	<u>\$</u>	<u>\$</u>	<u>\$ 637,467</u>

Investment income consists of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Realized gains	\$ 26,916	\$ 13,349
Interest and dividends	25,827	24,273
Unrealized gains	<u>13,693</u>	<u>20,707</u>
	<u>\$ 66,436</u>	<u>\$ 58,329</u>

Notes to Financial Statements

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, 2011, no contributions were made to the endowment fund.

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 were restricted for the following purpose:

	<u>2011</u>	<u>2010</u>
The Wayne Fund	\$ <u>20,039</u>	\$ <u>20,039</u>

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, 2011.

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, 2011. As of June 30, 2011 and 2010, the Association had borrowed \$0 and \$40,000 on this line of credit, respectively.

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 years ended June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Paralympic management	\$ <u>140,500</u>	\$ <u>119,309</u>

At June 30, 2010, the USOC had prepaid \$35,000 for the next year's grant. This amount was included in deferred revenue at June 30, 2010.

Notes to Financial Statements

G. CONCENTRATIONS

During the year ended June 30, 2011 the Association received approximately 50% of its total unrestricted support and revenue from its fundraising agreement.