

**NATIONAL WHEELCHAIR
BASKETBALL ASSOCIATION**

Financial Statements

For the Six Months Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Wheelchair Basketball
Association, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of National Wheelchair Basketball Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012, and the related statements of activities and changes in net assets and of cash flows for the six months then ended.

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.

Auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Wheelchair Basketball Association, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Wang & Goodwin, LLP
Colorado Springs, Colorado
January 31, 2013

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Statement of Financial Position

December 31, 2012

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 75,302
Accounts receivable	2,547
Prepaid expenses	49,327
Investments	<u>580,531</u>
Total current assets	707,707

PROPERTY AND EQUIPMENT:

Land	114,096
Building	486,411
Furniture & fixtures	9,231
Equipment	9,584
Less accumulated depreciation	<u>(46,856)</u>
Property and equipment - net	572,466

OTHER ASSETS:

Investments restricted for the Timothy J. Nugent Endowment Fund	168,199
Trademark	<u>2,226</u>
Total other assets	<u>170,425</u>

TOTAL ASSETS	<u>\$ 1,450,598</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 69,016
Accrued liabilities	17,493
Deferred revenue	92,938
Line of credit	<u>150,000</u>
Total current liabilities	329,447

NET ASSETS:

Unrestricted	935,413
Unrestricted - board designated for the Timothy J. Nugent Endowment Fund	168,199
Temporarily restricted	<u>17,539</u>
Total net assets	<u>1,121,151</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,450,598</u>
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See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Statement of Activities and Changes in Net Assets
For the Six Months Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE:			
Telemarketing	\$ 165,347	\$	\$ 165,347
USOC grants	105,750		105,750
Sponsorship and donations	52,355		52,355
Investment income	41,943		41,943
Membership dues	35,437		35,437
Rental income - net of expenses of \$11,866	12,861		12,861
Other income	7,249		7,249
Auction	5,352		5,352
National tournament	2,403		2,403
Satisfied program restrictions	<u>1,000</u>	<u>(1,000)</u>	
Total support and revenue	429,697	(1,000)	428,697
EXPENSES:			
Program services:			
International	146,470		146,470
National	110,278		110,278
Public awareness	<u>62,980</u>		<u>62,980</u>
Total program services	319,728		319,728
Supporting services:			
General and administrative	82,835		82,835
Fundraising	<u>62,980</u>		<u>62,980</u>
Total supporting services	<u>145,815</u>		<u>145,815</u>
Total expenses	<u>465,543</u>		<u>465,543</u>
CHANGE IN NET ASSETS	(35,846)	(1,000)	(36,846)
NET ASSETS, beginning of period	<u>1,139,458</u>	<u>18,539</u>	<u>1,157,997</u>
NET ASSETS, end of period	<u>\$ 1,103,612</u>	<u>\$ 17,539</u>	<u>\$ 1,121,151</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Schedule of Functional Expenses
For the Six Months Ended December 31, 2012

	Program Services			Supporting Services			Total Program & Supporting Services
	International	National	Public Awareness	General and Administrative	Fundraising	Total	
\$	\$	\$	\$	\$	\$	\$	\$
Advertising							
Bank service charges		1,575		1,575		1,575	1,575
Banquets							
Board of Directors		13,325		13,325		13,325	13,325
Classification							
Depreciation							
Donations to teams							
Dues & subscription							
High Performance committee							
Insurance		11,093		11,093		11,093	11,093
Intercollegiate national tournament		18,378		18,378		18,378	18,378
Interest		1,518		1,518		1,518	1,518
Legal & accounting fees							
Miscellaneous		1,025		1,025		1,025	1,025
Occupancy		4,000		4,000		4,000	4,000
Office supplies							
Operating supplies	2,255			2,255		2,255	2,255
Outside services	3,480	35		3,515		3,550	3,585
Permits & licenses							
Printing & postage		361		361		361	361
Prizes	275			275		275	275
Registration & entry fees	2,177			2,177		2,177	2,177
Salary & benefits	45,251	56,564		101,815		101,815	101,815
Stipends	38,500			38,500		38,500	38,500
Telemarketing			62,980		62,980	62,980	62,980
Telephone & internet							
Travel	52,622	2,299		54,921		54,921	54,921
Uniforms	2,443	105		2,548		2,548	2,548
Wayne scholarship							
Website							
	146,470	110,278	62,980	82,835	62,980	145,815	465,543

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION
Statement of Cash Flows
For the Six Months Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (36,846)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,360
Realized and unrealized gain on investments	(28,061)
Increase in accounts receivable	(2,547)
Increase in prepaid expenses	(36,476)
Increase in accounts payable	10,349
Increase in accrued liabilities	2,646
Increase in deferred revenue	<u>92,938</u>
Total adjustments	<u>46,209</u>
Net cash provided by operating activities	9,363

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(3,039)
Increase in investments	<u>(9,424)</u>
Net cash used by investing activities	<u>(12,463)</u>

NET DECREASE IN CASH (3,100)

CASH AND CASH EQUIVALENTS,
beginning of period 78,402

CASH AND CASH EQUIVALENTS,
end of period \$ 75,302

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Notes to Financial Statements

For the Six Months Ended December 31, 2012

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 31, 2013, 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 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009 to 2012 are subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

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 six months ended December 31, 2012 amounted to \$7,360.

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.

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.

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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2012:

<u>Assets at Fair Value as of December 31, 2012</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 564,061	\$	\$	\$ 564,061
Equities	166,355			166,355
Money market	18,314			18,314
	<u>\$ 748,730</u>	<u>\$</u>	<u>\$</u>	<u>\$ 748,730</u>

Investment income consists of the following for the six months ended December 31, 2012:

Unrealized gains	\$ 14,889
Interest and dividends	13,882
Realized gains	<u>13,172</u>
	<u>\$ 41,943</u>

C. BOARD DESIGNATED NET ASSETS

During fiscal 2004, the Timothy J. Nugent 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 six months ended December 31, 2012, no contributions were made to the endowment fund.

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 were restricted for the following purpose:

The Wayne Fund	<u>\$ 17,539</u>
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Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose. During the six months ended December 31, 2012, \$1,000 was released from restriction for scholarships.

Notes to Financial Statements

E. LINE OF CREDIT

The Association has a \$250,000 line of credit available. The line requires interest at 3.008% above the LIBOR index and is due June 1, 2013. As of December 31, 2012, the Association had borrowed \$150,000 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 six months ended December 31, 2012 consisted of the following:

Paralympic management	<u>\$ 105,750</u>
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In addition to the grant amounts above, the USOC made direct athlete support payments of \$42,000 for the six months ended December 31, 2012.

G. RAFFLE DRAWING

In December 2012 the Association engaged a fundraising consultant to conduct a "House Raffle". The fundraising consultant agreed to advance up to \$100,000 for the expenses of conducting the raffle and will receive compensation based on the number of tickets sold. The raffle drawing is schedule to take place in June 2013.

H. CONCENTRATIONS

During the six months ended December 31, 2012 the Association received approximately 36% of its total unrestricted support and revenue from its fundraising agreement.