

Great Lakes Region Volleyball Association

Financial Statements

June 30, 2017 and 2016

Great Lakes Region Volleyball Association
Report Index
June 30, 2017 and 2016

Independent auditor's report

Statements of financial position

Statements of activities

Statements of cash flows

Notes to financial statements

Klesman & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

7110 West 127th Street • Suite 230
Palos Heights, Illinois 60463-1580
(708) 923-0200

Independent Auditor's Report

To the Board of Directors of
Great Lakes Region Volleyball Association

We have audited the accompanying financial statements of Great Lakes Region Volleyball Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Region Volleyball Association as of June 30, 2017, 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.

Prior Period Financial Statements

The financial statements of Great Lakes Region Volleyball Association as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 26, 2016 expressed an unmodified opinion on those statements.

Klesman + Company, P.C.

Palos Heights, Illinois
September 15, 2017

Great Lakes Region Volleyball Association
Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 978,228	\$ 716,927
Accounts receivable	185,648	288,303
Prepaid expenses	3,519	15,364
Security deposit	3,049	9,759
Property and equipment, net	<u>61,617</u>	<u>64,909</u>
Total assets	<u>\$ 1,232,061</u>	<u>\$ 1,095,262</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 18,164	\$ 50,214
Deferred revenue	117	-
Accrued expenses	<u>296</u>	<u>880</u>
Total liabilities	<u>18,577</u>	<u>51,094</u>
Net assets:		
Unrestricted	<u>1,213,484</u>	<u>1,044,168</u>
Total liabilities and net assets	<u>\$ 1,232,061</u>	<u>\$ 1,095,262</u>

The accompanying notes to financial statements
are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Activities
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Support and revenue:		
Member income	\$ 525,560	\$ 537,298
Membership support income	313,065	323,783
Background security check	21,042	21,240
Clinic fees	3,465	3,600
Entry fees	960,894	1,209,524
Sales	1,085	4,844
Miscellaneous income	595	1,194
PVL League income	-	10,800
Windy City National Qualifier	497,752	681,236
Team registration fees	17,550	18,871
Value of in-kind donations	91,152	133,571
Contributions	1,130	1,051
VIK – Benefits for members	<u>5,270</u>	<u>300</u>
	2,438,560	2,947,312
Less: Refunds	<u>(1,782)</u>	<u>(286)</u>
Total support and revenue	<u>2,436,778</u>	<u>2,947,026</u>
Expenses:		
Program services:		
Membership expense	248,993	257,199
Officers' salaries	30,000	30,000
Office salaries	25,450	20,450
Payroll taxes	4,242	3,859
Official division expense	5,247	5,591
Adult tournament expense	3,638	5,407
Junior tournament expense	17,197	11,285
Publications	2,095	4,177
Stipends	98,730	105,451
Windy City Power League	481,132	497,572
National Assistance	20,400	19,825
Windy City National Qualifier	796,009	1,025,033
Premier Volleyball League expense	<u>1,545</u>	<u>32,550</u>
Total program services	<u>1,734,678</u>	<u>2,018,399</u>
Supporting services:		
Travel	11,374	47,121
Officers' salaries	160,931	145,625
Office salaries	44,805	27,883
Payroll taxes and fees	16,640	14,173
Insurance	69,280	71,020
Medical insurance	19,413	18,757
Office expense	20,916	24,859
Postage	1,384	3,797

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Activities
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Rent expense	47,109	46,738
Contributions	2,451	3,025
Telephone and internet	13,310	17,572
Stipends	5,100	5,660
Professional fees	21,586	24,048
Executive board expenses	1,862	3,811
Background check expense	20,440	20,928
Depreciation	11,511	11,354
Bank and credit card fees	26,367	25,291
SEP pension plan expense	22,607	15,285
Other operating expense	<u>15,477</u>	<u>39,521</u>
Total supporting services	<u>532,563</u>	<u>566,468</u>
Other income (expenses):		
Interest income	4,071	2,781
Insurance – life	(354)	(354)
Other expense	<u>(3,938)</u>	<u>(3,823)</u>
Total other income (expense)	<u>(221)</u>	<u>(1,396)</u>
Change in unrestricted net assets	169,316	360,763
Net assets, beginning of year	<u>1,044,168</u>	<u>683,405</u>
Net assets, end of year	<u>\$ 1,213,484</u>	<u>\$ 1,044,168</u>

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Cash Flows
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 169,316	\$ 360,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,511	11,354
(Increase) decrease in assets:		
Accounts receivable	102,655	(127,053)
Deposits	6,710	(1,814)
Prepaid expenses	11,845	(12,214)
Increase (decrease) in liabilities:		
Accounts payable	(32,050)	14,647
Deferred revenue	117	-
Accrued expenses	<u>(584)</u>	<u>(262)</u>
Net cash provided by operating activities	<u>269,520</u>	<u>245,421</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(8,219)</u>	<u>(12,524)</u>
Net cash used in investing activities	<u>(8,219)</u>	<u>(12,524)</u>
Net change in cash and cash equivalents	261,301	232,897
Cash and cash equivalents, beginning of year	<u>716,927</u>	<u>484,030</u>
Cash and cash equivalents, end of year	<u>\$ 978,228</u>	<u>\$ 716,927</u>

Supplemental cash flow information

There was no cash paid for interest or income taxes for the years ended June 30, 2017 and 2016.

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2017 and 2016

Note 1. Summary of significant accounting policies

Organization and nature of activities

USA Volleyball ("USAV") is the national governing body of volleyball in the United States of America, and is a charter member of the Federation Internationale de Volleyball ("FIVB") and a member of the United States Olympic Committee. Great Lakes Region Volleyball Association (the "Organization") is recognized as a regional volleyball association ("RVA") of USAV. The Organization accepts memberships from players to ensure quality play under the USAV rules and regulations, provides sanctioned tournaments with certified officials, provides clinics for coaches and officials, and provides the necessary administrative services required to hold regional volleyball tournaments.

In order to maintain its recognition as an RVA, the Organization must pay fees to the USAV based upon its total membership. These fees are allocated to various program expenses and influence the Organization's own membership fee structure. Total USAV amounted to \$248,993 for the year ended June 30, 2017 (\$257,199 for the year ended June 30, 2016).

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed in 1977 and its activities are governed by a Board of Directors. The Organization's support and revenues come primarily from membership income and entry fees for participation in sanctioned events taking place in the Midwest and the Chicago metropolitan area.

Basis of accounting

The Organization maintains its financial records in accordance with the accrual basis method of accounting. Under this method, income is recognized when earned and expenses are recognized when incurred.

The Organization reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2017 and 2016 there were no temporarily restricted or permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

For purposes of the statements of financial position and the statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Included in the balance of cash and cash equivalents at June 30, 2017 is approximately \$42,000 which represents amounts deposited in banks in excess of the \$250,000 federally insured amounts. The Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to any significant credit risk relating to cash and cash equivalents.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2017 and 2016

Note 1. Summary of significant accounting policies (continued)

Contributions and revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions in which the restrictions are met in the same reporting period are reported as unrestricted support.

Revenue is recorded at the time a new member registers and enters the Organization. Membership fees cover one volleyball season and all players participating in sanctioned competitions in the Great Lakes region must be registered with a team for the season. Refunds are only given within one month of registration, provided the player has not yet participated in any events.

Accounts receivable

Accounts receivable are primarily housing rebates and commissions due from one hotel chain in connection with the Windy City National Qualifier, which is a USAV sanctioned event. Accounts receivable are generally due upon the issuance of an invoice and are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a reserve for bad debts based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the reserve balance and a credit to the applicable accounts receivable. It was management's opinion, however, that no reserve for bad debts was necessary at June 30, 2017 or 2016.

Property and equipment

The Organization's policy is to capitalize property and equipment additions over \$500, and to depreciate them using the straight-line method over their estimated useful lives ranging from five to forty years. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Contributed goods and services

The Organization receives sponsorships in the form of donated goods, such as clothing and volleyballs. These in-kind donations are reflected in the accompanying financial statements as support and revenue with a corresponding offset to expense. The amount of such in-kind donations were \$91,152 and \$133,571 for the years ended June 30, 2017 and 2016, respectively.

No amounts have been reflected in the accompanying financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2017 and 2016

Note 1. Summary of significant accounting policies (continued)

Prepaid expenses

Event expenses paid for in a fiscal year prior to the occurrence of a scheduled event are deferred and recognized as an expense in the fiscal year in which such events occur.

Advertising costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$2,358 and \$2,145 for the years ended June 30, 2017 and 2016, respectively.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, the Organization had no income tax liability for the years ended June 30, 2017 and 2016. In addition, there were no interest or penalties associated with income taxes reflected in the financial statements.

The Organization prepares and files IRS Form 990, Return of Organization Exempt from Income Tax, annually with the Internal Revenue Service. Generally, tax returns may be examined by the IRS for three years after they are filed; therefore, tax returns for the years ending after June 30, 2012 are still subject to examination by the IRS.

Reclassifications

Certain reclassifications have been made in the 2016 financial statements to conform to the classifications used in the 2017 financial statements. The reclassifications have no effect on the overall net assets.

Date of management's review

The management of Great Lakes Region Volleyball Association has evaluated subsequent events through September 15, 2017, the date on which the financial statements were available to be issued.

Note 2. Property and equipment, net

Property and equipment are comprised of the following:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 52,663	\$ 50,609
Office furniture/equipment	<u>67,617</u>	<u>61,452</u>
	120,280	112,061
Less accumulated depreciation and amortization	<u>(58,663)</u>	<u>(47,152)</u>
Property and equipment, net	<u>\$ 61,617</u>	<u>\$ 64,909</u>

Depreciation expense was \$11,511 and \$11,354 for the years ended June 30, 2017 and 2016, respectively.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2017 and 2016

Note 3. Simplified employee pension plan

The Organization maintains a qualified Simplified Employee Pension ("SEP") Plan and a qualified contributory 403(b) plan covering all employees who have completed one day of employment, except for employees covered by a collective bargaining agreement and those earning less than \$300 of compensation. Contributions to the SEP are at the discretion of the Organization's Board of Directors. Employees may make pre-tax contributions to the 403(b) plan in the amount of 6% of annual compensation up to the maximum amount allowed under the Internal Revenue Code. During the years ended June 30, 2017 and 2016, the Organization made contributions to the SEP plan in the amount of \$22,607 and \$15,285, respectively.

Note 4. Lease commitments

The Organization leases office space from an unaffiliated company under an agreement which expires on April 30, 2020. The minimum rental amounts are stipulated in the lease agreement and may be subject to adjustment depending on increased real estate taxes and operating expenses of the lessor. The minimum annual payments due under this agreement are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 46,879
2019	48,309
2020	<u>41,278</u>
	<u>\$ 136,466</u>

Amounts charged to rent expense were \$47,249 and \$46,738 for the years ended June 30, 2017 and 2016, respectively.

Note 5. Windy City National Qualifier

The USAV sanctions twelve National Qualifying tournaments referred to as National Qualifiers ("NQ"). These tournaments are awarded through a bid process and the Organization was awarded the 12th National Qualifier for 2017 and 2018. The primary purpose of the NQ is to select, through tournament competition, various teams that will compete at a national competition.

Note 6. Related party transactions

The Organization receives commission payments from a company whose owner is also an officer of Great Lakes Region Volleyball Association. The payments are received as commissions related to the sales of apparel at the NQ event. The amount of such commissions received by the Organization were \$48,213 and \$58,419 for the years ended June 30, 2017 and 2016, respectively.