



MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Richmond Volleyball Club

Financial Statements

August 31, 2017 and 2016

Richmond Volleyball Club

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Independent Auditor's Report

Board of Directors
Richmond Volleyball Club
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Volleyball Club (the "Club"), which comprise the statements of financial position as of August 31, 2017 and 2016, the related statements of activities and cash flows for the years 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 from 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 Richmond Volleyball Club as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mitchell Wiggins

Petersburg, Virginia
December 15, 2017

Richmond Volleyball Club

Statements of Financial Position ***August 31, 2017 and 2016***

Assets	2017	2016
Current Assets		
Cash and cash equivalents	\$ 474,144	\$ 516,321
Accounts receivable, net	85,925	57,854
Inventory	42,576	53,706
Prepaid expenses	50,807	61,368
Total current assets	653,452	689,249
Property and Equipment		
Land	665,800	665,800
Building and improvements	3,803,461	3,795,673
Furniture and equipment	602,917	612,380
Leasehold improvements	212,193	212,193
	5,284,371	5,286,046
Less accumulated depreciation	(1,320,151)	(1,176,428)
Total property and equipment, net	3,964,220	4,109,618
Other Assets		
Rent deposits	5,495	5,495
	5,495	5,495
	\$ 4,623,167	\$ 4,804,362

(continued)

Richmond Volleyball Club

Statements of Financial Position (continued) August 31, 2017 and 2016

Liabilities and Net Assets	2017	2016
Current Liabilities		
Accounts payable	\$ 22,243	\$ 11,326
Current maturities of long-term debt	131,616	116,099
Accrued expenses	37,162	29,064
Deferred revenue	93,484	105,208
Rent deposit	440	440
Total current liabilities	284,945	262,137
Long-Term Debt		
Notes payable, less current maturities, net of unamortized debt issuance costs	2,508,572	2,699,802
	2,508,572	2,699,802
Net Assets		
Unrestricted		
Undesignated	1,440,974	1,465,929
Board designated	387,405	372,851
Temporarily restricted	1,271	3,643
Total net assets	1,829,650	1,842,423
	\$ 4,623,167	\$ 4,804,362

See Notes to Financial Statements

Richmond Volleyball Club

Statements of Activities

Year Ended August 31, 2017, with Comparative Totals for the Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenues and Support				
Program fees	\$ 1,669,973	\$ -	\$ 1,669,973	\$ 1,648,243
Tournaments and camps	1,085,752	-	1,085,752	957,549
Concession income	294,381	-	294,381	302,902
Proshop income	44,122	-	44,122	49,461
Special events, net of expenses (\$3,432 for 2017; \$5,584 for 2016)	41,423	1,271	42,694	39,399
Rent	17,742	-	17,742	40,258
Contributions	32,563	-	32,563	19,996
Other income	2,165	-	2,165	1,818
Interest	668	-	668	809
Net assets released from restrictions	3,643	(3,643)	-	-
Total revenues and support	3,192,432	(2,372)	3,190,060	3,060,435
Expenses				
<i>Compensation and related expenses</i>				
Salaries and wages	548,566	-	548,566	399,532
Employee benefits	39,444	-	39,444	36,793
Payroll taxes	40,763	-	40,763	33,660
Total compensation and related expenses	628,773	-	628,773	469,985
Tournament and camp expenses	820,142	-	820,142	847,185
Program expenses	472,460	-	472,460	432,685
Concession cost of sales and operating expenses	297,930	-	297,930	284,439
Depreciation	155,855	-	155,855	156,494
Repairs and maintenance	134,375	-	134,375	147,150
Utilities	110,889	-	110,889	107,823
Interest expense	97,522	-	97,522	104,789
Rental expense	96,383	-	96,383	97,045
Marketing and advertising	59,850	-	59,850	30,951
Credit card and bank charges	53,241	-	53,241	45,464
Office	50,052	-	50,052	39,140
Insurance	49,233	-	49,233	49,889
Taxes	46,970	-	46,970	46,231
Accounting and legal fees	33,489	-	33,489	28,854
Proshop cost of sales	33,430	-	33,430	31,409
Computer	29,774	-	29,774	13,699
Adult league	11,927	-	11,927	8,614
Miscellaneous	8,730	-	8,730	8,029
Fundraising	4,975	-	4,975	2,083
Interest expense, amortization of debt issuance costs	4,418	-	4,418	4,418
Loss on sale of property and equipment	1,738	-	1,738	-
Automobile	677	-	677	3,585
Total expenses	3,202,833	-	3,202,833	2,959,961
Changes in net assets	(10,401)	(2,372)	(12,773)	100,474
Net assets, beginning of year	1,838,780	3,643	1,842,423	1,741,949
Net assets, end of year	\$ 1,828,379	\$ 1,271	\$ 1,829,650	\$ 1,842,423

See Notes to Financial Statements

Richmond Volleyball Club

Statements of Cash Flows

Year Ended August 31, 2017, with Comparative Totals for the Year Ended August 31, 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	\$ (12,773)	\$ 100,474
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	155,855	156,494
Interest expense, amortization of debt issuance costs	4,418	4,418
Loss on sale of property and equipment	1,738	-
Changes in operating assets		
Accounts receivable	(28,071)	(9,712)
Inventory	11,130	(11,820)
Prepaid expenses	10,561	11,717
Changes in operating liabilities		
Accounts payable and accrued expenses	19,015	(7,958)
Deferred revenue	(11,724)	17,105
Rent deposit	-	(700)
Net cash provided by operating activities	<u>150,149</u>	<u>260,018</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	300	-
Purchase of property and equipment	(12,495)	(193,928)
Net cash (used in) investing activities	<u>(12,195)</u>	<u>(193,928)</u>
Cash Flows from Financing Activities		
Curtailment of long-term debt	(180,131)	(172,864)
Net cash (used in) financing activities	<u>(180,131)</u>	<u>(172,864)</u>
Net change in cash and cash equivalents	(42,177)	(106,774)
Cash and cash equivalents, beginning	<u>516,321</u>	<u>623,095</u>
Cash and cash equivalents, ending	<u>\$ 474,144</u>	<u>\$ 516,321</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 97,522</u>	<u>\$ 104,789</u>

See Notes to Financial Statements

Richmond Volleyball Club

Notes to Financial Statements

August 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies

Nature of activities

The Richmond Volleyball Club (the "Club") conducts volleyball competitions in Richmond, Virginia and the surrounding area for national and international competitors. The purpose is to foster amateur volleyball competition and to support and develop amateur athletes for such competition. The Club provides instruction and equipment for adult and youth competitions. The Club raises money through player registration, tournament fees, and camp fees to support various teams while traveling and competing.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) ASC 958, "Not-for-Profit Entities". The Club is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Comparative financial statements

These financial statements include summarized comparative prior-year information in the statement of activities. Prior-year information is not presented by net class and does not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Club's financial statements for the year ended August 31, 2016.

Cash and cash equivalents

For purposes of the statements of cash flows, all highly liquid non-restricted investments purchased with a maturity of three months or less is considered to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Accounts receivable

Accounts receivable represents amounts that have been billed by the Club but not collected as of the date of the accompanying financial statements. Provision for doubtful accounts is made to maintain adequate reserves to cover anticipated losses based upon management's evaluation of the collectability of accounts receivable.

As of August 31, 2017 and 2016, the allowance for doubtful accounts was \$5,000.

Inventory

Inventory is stated at cost using the first-in, first-out (FIFO) method. Inventory on August 31, 2017 and 2016 consists of the following:

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies (Continued)

	<u>2017</u>	<u>2016</u>
Sports attire and accessories	\$ 29,726	\$46,084
Concession food and beverages	<u>12,850</u>	<u>7,622</u>
	<u>\$ 42,576</u>	<u>\$53,706</u>

Property and equipment

Property and equipment, including leasehold improvements, is stated at cost or if donated at fair market value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of buildings and improvements and leasehold improvements is computed on the straight line method over estimated useful lives ranging from 15 to 39 years. Equipment is stated at cost or estimated fair market value if donated. Depreciation of equipment is computed on the straight line and accelerated methods over estimated useful lives ranging from 5 to 10 years.

Debt issuance costs

Debt issuance costs included are being amortized over the life of the respective loan, using the straight-line method. Accumulated amortization was \$29,677 and \$25,259 at August 31, 2017 and 2016, respectively.

Revenue recognition

Program fees include registration fees for adult and junior leagues that are recognized as revenue during the league season. Revenue related to tournaments and camps are recognized when the tournaments and camps occur. Concession and proshop income is recognized when items are sold and transferred to the individual. Deferred revenue recognized on the statement of financial position represents income from team registration and fees, collected before the Club conducts the competition event and/or provides the instruction.

The Club reports grants and contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statements of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets.

Richmond Volleyball Club

Notes to Financial Statements

August 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Unrestricted net assets

The Club reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Organization may be used at the discretion of the Club's management and Board of Directors to support the Club's purpose and operations. The Club's board of directors had designated \$392,851 and \$372,851 as of August 31, 2017 and 2016, respectively, for facility improvements and juniors programs.

Temporarily restricted net assets

The Club reports gifts of cash and other assets as temporarily restricted support if they 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 reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be utilized only for purposes specified by the donor. The Club had no permanently restricted net assets as of August 31, 2017 and 2016.

New accounting pronouncement

During the current year, the Organization retrospectively adopted the requirements of Accounting Standards Update (ASU) No. 2015-03, *Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*, to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of August 31, 2016 was previously reported on the statement of financial position as \$2,748,384, with the associated \$48,582 unamortized debt issuance costs included in loan costs. Amortization of the debt issuance costs is now reported as interest expense in the accompanying statement of activities.

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.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

Richmond Volleyball Club

Notes to Financial Statements

August 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes

The Club is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended August 31, 2017 and 2016.

The Club follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Club's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years of 2014 to 2016 remain subject to examination by the taxing authorities.

The Club has determined that they do not have any material unrecognized tax benefits or obligations at August 31, 2017 and 2016. The Club includes penalties and interest assessed by income taxing authorities in operating expenses. The Club did not have penalties and interest expenses for the years ended August 31, 2017 and 2016.

Note 2. Functional Expense Breakdown

Functional expenses for the fiscal years ended August 31, 2017 and 2016 are as follows:

	2017	2016
Program services	\$2,994,220	\$ 2,788,649
Management and general	203,638	169,229
Fundraising	4,975	2,083
	<u>\$3,202,833</u>	<u>\$ 2,959,961</u>

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2017 and 2016

Note 3. Long-Term Debt

Long-term notes payable are as follows:

	<u>2017</u>	<u>2016</u>
Union Bank & Trust:		
3.40%, due in monthly installments of \$16,113 including interest, due March 1, 2020, secured by a first priority lien on all of the Club's property, equipment, fixtures and all of the Club's other assets	\$2,538,868	\$ 2,642,746
4.25%, due in monthly installments of \$2,490 including interest, due August 1, 2019, secured by real property and future rents from real property	145,484	221,737
	2,684,352	2,864,483
Less unamortized debt issuance costs	44,164	48,582
	\$2,640,188	\$ 2,815,901
Totals shown on statement of financial position as:		
Amounts due within one year	\$ 131,616	\$ 116,099
Amounts due after one year	2,508,572	2,699,802
	\$2,640,188	\$ 2,815,901

At August 31, 2017, aggregate maturities of long-term debt are as follows:

2018	\$ 131,616
2019	232,693
2020	2,320,043
	<u>\$2,684,352</u>

The Club did not comply with a certain financial covenant as of August 31, 2017. However, the Club has received a waiver of the covenant violation from Union Bank & Trust.

Note 4. Commitments

The Club has a noncancellable operating lease for office equipment, with a total expense of \$4,865 for the fiscal years ended August 31, 2017 and 2016, respectively.

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2017 and 2016

Note 4. Commitments (Continued)

Future minimum lease payments under the operating agreement that have remaining terms in excess of one year as of August 31, 2017 are:

2018	\$4,865
2019	<u>2,025</u>
	<u>\$6,890</u>

As of August 31, 2017, the Club leased one facility, under a month-to-month operating lease. The monthly lease payment amount is \$8,000 and total rent expense for the fiscal years ended August 31, 2017 and 2016 was \$96,000.

Note 5. Subsequent Events

Management has evaluated subsequent events through December 15, 2017, the date the financial statements were available for issue.