



MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

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# Richmond Volleyball Club

## Financial Statements

August 31, 2018 and 2017



# ***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, 2018 and 2017, 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 audits. We conducted our audits 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, 2018 and 2017, 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  
January 2, 2019

## ***Richmond Volleyball Club***

### ***Statements of Financial Position August 31, 2018 and 2017***

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 338,482	\$ 474,144
Accounts receivable, net	87,495	85,925
Inventory	20,948	42,576
Prepaid expenses	27,565	50,807
<b>Total current assets</b>	<b>474,490</b>	<b>653,452</b>
<b>Property and Equipment</b>		
Land	665,800	665,800
Building and improvements	3,803,461	3,803,461
Furniture and equipment	818,541	602,917
Leasehold improvements	12,606	212,193
	<b>5,300,408</b>	<b>5,284,371</b>
Less accumulated depreciation	<b>(1,270,605)</b>	<b>(1,320,151)</b>
<b>Total property and equipment, net</b>	<b>4,029,803</b>	<b>3,964,220</b>
<b>Other Assets</b>		
Rent deposits	-	5,495
	-	5,495
	<b>\$ 4,504,293</b>	<b>\$ 4,623,167</b>

(continued)

## ***Richmond Volleyball Club***

### ***Statements of Financial Position (continued) August 31, 2018 and 2017***

<b>Liabilities and Net Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 18,378	\$ 22,243
Current maturities of long-term debt	177,192	131,616
Accrued expenses	52,784	37,162
Deferred revenue	63,966	93,484
Rent deposit	215	440
<b>Total current liabilities</b>	<b>312,535</b>	<b>284,945</b>
<b>Long-Term Debt</b>		
Notes payable, less current maturities, net of unamortized debt issuance costs	2,280,569	2,508,572
	<b>2,280,569</b>	<b>2,508,572</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	1,638,358	1,440,974
Board designated	270,306	387,405
Temporarily restricted	2,525	1,271
<b>Total net assets</b>	<b>1,911,189</b>	<b>1,829,650</b>
	<b>\$ 4,504,293</b>	<b>\$ 4,623,167</b>

*See Notes to Financial Statements*

## Richmond Volleyball Club

### Statements of Activities

Year Ended August 31, 2018, with Comparative Totals for the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
<b>Revenues and Support</b>				
Program fees	\$ 1,819,267	\$ -	\$ 1,819,267	\$ 1,669,973
Tournaments and camps	1,243,112	-	1,243,112	1,085,752
Concession income	303,218	-	303,218	294,381
Proshop income	36,972	-	36,972	44,122
Special events, net of expenses (\$4,267 for 2018; \$3,432 for 2017)	48,154	2,525	50,679	42,694
Rent	51,152	-	51,152	17,742
Contributions	45,186	-	45,186	32,563
Other income	1,425	-	1,425	2,165
Interest	622	-	622	668
Gain on sale of property and equipment	725	-	725	-
Net assets released from restrictions	1,271	(1,271)	-	-
<b>Total revenues and support</b>	<b>3,551,104</b>	<b>1,254</b>	<b>3,552,358</b>	<b>3,190,060</b>
<b>Expenses</b>				
<i>Compensation and related expenses</i>				
Salaries and wages	562,216	-	562,216	548,566
Employee benefits	51,250	-	51,250	39,444
Payroll taxes	41,897	-	41,897	40,763
<b>Total compensation and related expenses</b>	<b>655,363</b>	<b>-</b>	<b>655,363</b>	<b>628,773</b>
Tournament and camp expenses	947,044	-	947,044	820,142
Program expenses	526,151	-	526,151	472,460
Concession cost of sales and operating expenses	284,430	-	284,430	297,930
Rental expense	172,660	-	172,660	96,383
Depreciation	170,252	-	170,252	155,855
Repairs and maintenance	141,218	-	141,218	134,375
Utilities	98,367	-	98,367	110,889
Interest expense	91,627	-	91,627	97,522
Credit card and bank charges	70,760	-	70,760	53,241
Marketing and advertising	61,726	-	61,726	59,850
Office	48,901	-	48,901	50,052
Insurance	44,323	-	44,323	49,233
Accounting and legal fees	43,027	-	43,027	33,489
Taxes	39,100	-	39,100	46,970
Proshop cost of sales	27,430	-	27,430	33,430
Computer	25,680	-	25,680	29,774
Adult league	8,269	-	8,269	11,927
Miscellaneous	6,216	-	6,216	8,730
Interest expense, amortization of debt issuance costs	4,418	-	4,418	4,418
Fundraising	2,743	-	2,743	4,975
Automobile	1,114	-	1,114	677
Loss on sale of property and equipment	-	-	-	1,738
<b>Total expenses</b>	<b>3,470,819</b>	<b>-</b>	<b>3,470,819</b>	<b>3,202,833</b>
<b>Changes in net assets</b>	<b>80,285</b>	<b>1,254</b>	<b>81,539</b>	<b>(12,773)</b>
Net assets, beginning of year	1,828,379	1,271	1,829,650	1,842,423
Net assets, end of year	\$ 1,908,664	\$ 2,525	\$ 1,911,189	\$ 1,829,650

See Notes to Financial Statements

## ***Richmond Volleyball Club***

### ***Statements of Cash Flows***

***Year Ended August 31, 2018, with Comparative Totals for the Year Ended August 31, 2017***

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 81,539	\$ (12,773)
<b><i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i></b>		
Depreciation and amortization	170,252	155,855
Interest expense, amortization of debt issuance costs	4,418	4,418
(Gain) loss on sale of property and equipment	(725)	1,738
Donated property and equipment	(2,000)	-
<b><i>Changes in operating assets</i></b>		
Accounts receivable	(1,570)	(28,071)
Inventory	21,628	11,130
Prepaid expenses	23,242	10,561
Rent deposit	5,495	-
<b><i>Changes in operating liabilities</i></b>		
Accounts payable and accrued expenses	11,757	19,015
Deferred revenue	(29,518)	(11,724)
Rent deposit	(225)	-
<b>Net cash provided by operating activities</b>	<u>284,293</u>	<u>150,149</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	725	300
Purchase of property and equipment	(233,835)	(12,495)
<b>Net cash (used in) investing activities</b>	<u>(233,110)</u>	<u>(12,195)</u>
<b>Cash Flows from Financing Activities</b>		
Curtailement of long-term debt	(186,845)	(180,131)
<b>Net cash (used in) financing activities</b>	<u>(186,845)</u>	<u>(180,131)</u>
<b>Net change in cash and cash equivalents</b>	(135,662)	(42,177)
Cash and cash equivalents, beginning	<u>474,144</u>	<u>516,321</u>
Cash and cash equivalents, ending	<u>\$ 338,482</u>	<u>\$ 474,144</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 91,627</u>	<u>\$ 97,522</u>

*See Notes to Financial Statements*



**Richmond Volleyball Club**  
**Notes to Financial Statements**  
**August 31, 2018 and 2017**

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**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, 2017.

**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, 2018 and 2017, 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, 2018 and 2017 consists of the following:

**Richmond Volleyball Club**  
**Notes to Financial Statements**  
**August 31, 2018 and 2017**

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

	<u>2018</u>	<u>2017</u>
Sports attire and accessories	\$ 9,955	\$ 29,726
Concession food and beverages	<u>10,993</u>	<u>12,850</u>
	<u>\$ 20,948</u>	<u>\$ 42,576</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 \$34,095 and \$29,677 at August 31, 2018 and 2017, 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.

**Advertising**

Marketing and advertising cost is expensed as incurred or when it first takes place. Marketing and advertising expense for 2018 and 2017 was \$61,726 and \$59,850, respectively.

**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 \$270,306 and \$387,405 as of August 31, 2018 and 2017, respectively, for facility improvements and juniors programs.

**Richmond Volleyball Club**  
**Notes to Financial Statements**  
**August 31, 2018 and 2017**

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

**Temporarily restricted net assets**

The Club reports grants, contributions, and other assets as temporarily restricted support 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 and reported in the statements of activities and changes in net assets as net assets released from restrictions. 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.

**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, 2018 and 2017.

**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.

**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, 2018 and 2017.

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 2015 to 2017 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, 2018 and 2017. 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, 2018 and 2017.

**Richmond Volleyball Club**  
**Notes to Financial Statements**  
**August 31, 2018 and 2017**

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**Note 2. Functional Expense Breakdown**

Functional expenses for the fiscal years ended August 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Program services	\$ 3,245,847	\$ 2,994,220
Management and general	222,229	203,638
Fundraising	2,743	4,975
	<u>\$ 3,470,819</u>	<u>\$ 3,202,833</u>

**Note 3. Long-Term Debt**

Long-term notes payable are as follows:

	<u>2018</u>	<u>2017</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	\$2,431,610	\$ 2,538,868
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	65,897	145,484
	<u>2,497,507</u>	<u>2,684,352</u>
Less unamortized debt issuance costs	39,746	44,164
	<u>\$2,457,761</u>	<u>\$ 2,640,188</u>

	<u>2018</u>	<u>2017</u>
Totals shown on statement of financial position as:		
Amounts due within one year	\$ 177,192	\$ 131,616
Amounts due after one year	2,280,569	2,508,572
	<u>\$2,457,761</u>	<u>\$ 2,640,188</u>

At August 31, 2018, aggregate maturities of long-term debt are as follows:

2019	\$ 177,192
2020	2,320,315
	<u>\$ 2,497,507</u>

**Richmond Volleyball Club**  
**Notes to Financial Statements**  
**August 31, 2018 and 2017**

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**Note 4. Commitments**

The Club has a noncancellable operating lease for office equipment, with a total expense of \$4,937 and \$4,865 for the fiscal years ended August 31, 2018 and 2017, respectively.

Future minimum lease payments under the operating agreement that have remaining terms in excess of one year as of August 31, 2018 are:

2019	<u>\$2,025</u>
	<u>\$2,025</u>

During the year ended August 31, 2018, the Club leased a facility in Henrico, Virginia, under a month-to-month operating lease through May 31, 2018. The monthly lease payment amount was \$8,000, and total rent expense for the fiscal years ended August 31, 2018 and 2017 was \$72,000 and \$96,000, respectively.

The Club entered into a lease agreement for a facility in Chesterfield, Virginia. The lease, which is for a ten year period, expires March 31, 2028. Total rental expense of \$100,000 was recognized for the year ended August 31, 2018.

Future minimum lease payments under the lease agreement as of August 31, 2018 are:

2019	\$ 240,000
2020	240,000
2021	240,000
2022	240,000
2023	249,500
Thereafter	<u>1,204,500</u>
	<u>\$ 2,414,000</u>

**Note 5. Line of Credit**

The Club has a line of credit with Union Bank & Trust with a maximum borrowing amount of \$350,000. The note is payable on demand, carries a floating interest rate of Wall Street Journal Prime plus .5% (currently 5.50%), is secured by a deed of trust and matures on October 31, 2018. At August 31, 2018, no amounts were outstanding on this line of credit.

**Note 6. Subsequent Events**

Management has evaluated subsequent events through January 2, 2019, the date the financial statements were available for issue.