



MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Richmond Volleyball Club

Financial Statements

August 31, 2019 and 2018

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, 2019 and 2018, the related statements of activities, cash flows, functional expenses for the year ended August 31, 2019, 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, 2019 and 2018, 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.

Report on Summarized Comparative Statements

We have previously audited the Club's August 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Petersburg, Virginia
January 17, 2020

Richmond Volleyball Club

Statements of Financial Position August 31, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 318,735	\$ 338,482
Accounts receivable, net	100,622	87,495
Inventory	28,271	20,948
Prepaid expenses	70,283	27,565
Total current assets	517,911	474,490
Property and Equipment		
Land	668,360	665,800
Building and improvements	3,803,461	3,803,461
Furniture and equipment	754,644	818,541
Leasehold improvements	12,606	12,606
	5,239,071	5,300,408
Less accumulated depreciation	(1,363,270)	(1,270,605)
Total property and equipment, net	3,875,801	4,029,803
	\$ 4,393,712	\$ 4,504,293

(continued)

Richmond Volleyball Club

Statements of Financial Position (continued) August 31, 2019 and 2018

Liabilities and Net Assets	2019	2018
Current Liabilities		
Accounts payable	\$ 21,123	\$ 18,378
Current maturities of long-term debt	109,515	177,192
Accrued expenses	47,160	52,784
Contract liabilities	100,198	63,966
Rent deposit	-	215
Total current liabilities	277,996	312,535
Long-Term Debt		
Notes payable, less current maturities, net of unamortized debt issuance costs	2,175,387	2,280,569
	2,175,387	2,280,569
Net Assets		
Without donor restrictions		
Undesignated	1,657,798	1,638,358
Board designated	281,097	270,306
With donor restrictions	1,434	2,525
Total net assets	1,940,329	1,911,189
	\$ 4,393,712	\$ 4,504,293

See Notes to Financial Statements

Richmond Volleyball Club

Statements of Activities

Year Ended August 31, 2019, with Comparative Totals for the Year Ended August 31, 2018

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2019	2018
Revenues and Support				
Program fees	\$ 1,963,885	\$ -	\$ 1,963,885	\$ 1,819,267
Tournaments and camps	1,404,215	-	1,404,215	1,243,112
Concession sales	335,757	-	335,757	303,218
Less cost of goods sold and operating expenses	(316,209)	-	(316,209)	(284,430)
Net concession sales	19,548	-	19,548	18,788
Proshop sales	17,730	-	17,730	36,972
Less cost of goods sold	(14,039)	-	(14,039)	(27,430)
Net proshop sales	3,691	-	3,691	9,542
Gross special events revenue	52,314	1,434	53,748	54,946
Less cost of direct benefits to donors	(5,704)	-	(5,704)	(4,267)
Net special events revenue	46,610	1,434	48,044	50,679
Rent	62,541	-	62,541	51,152
Contributions	42,342	-	42,342	45,186
Other income	7,861	-	7,861	1,425
Interest	566	-	566	622
Gain on sale of property and equipment	-	-	-	725
Net assets released from restrictions	2,525	(2,525)	-	-
Total revenues and support	3,553,784	(1,091)	3,552,693	3,240,498
Expenses				
Functional expenses				
Program	3,230,889	-	3,230,889	2,933,987
General and administrative	288,526	-	288,526	222,229
Fundraising	4,138	-	4,138	2,743
Total expenses	3,523,553	-	3,523,553	3,158,959
Changes in net assets	30,231	(1,091)	29,140	81,539
Net assets, beginning of year	1,908,664	2,525	1,911,189	1,829,650
Net assets, end of year	\$ 1,938,895	\$ 1,434	\$ 1,940,329	\$ 1,911,189

See Notes to Financial Statements

Richmond Volleyball Club

Statement of Functional Expenses

Year Ended August 31, 2019, with Comparative Totals for the Year Ended August 31, 2018

	Program	General and Administrative	Fundraising	Cost of Goods Sold	Totals	
					2019	2018
Salaries and wages	\$ 488,757	\$ 137,854	\$ -	\$ -	626,611	562,216
Employee benefits	53,706	15,148	-	-	68,854	51,250
Payroll taxes	36,156	10,198	-	-	46,354	41,897
Total compensation and related expenses	578,619	163,200	-	-	741,819	655,363
Tournament and camp expenses	1,053,822	-	-	-	1,053,822	947,044
Program expenses	560,064	-	-	-	560,064	526,151
Concession cost of sales and operating expenses	316,209	-	-	-	316,209	284,430
Rental expense	240,873	-	-	-	240,873	172,660
Depreciation	166,410	8,758	-	-	175,168	170,252
Repairs and maintenance	120,160	6,324	-	-	126,484	141,218
Utilities	84,958	4,471	-	-	89,429	98,367
Credit card and bank charges	76,846	8,539	-	-	85,385	70,760
Interest expense	79,204	4,169	-	-	83,373	91,627
Marketing and advertising	68,787	7,643	-	-	76,430	61,726
Accounting and legal fees	-	64,835	-	-	64,835	43,027
Insurance	57,667	6,407	-	-	64,074	44,323
Office	56,052	6,228	-	-	62,280	48,901
Taxes	39,899	4,433	-	-	44,332	39,100
Computer	23,720	2,636	-	-	26,356	25,680
Proshop cost of sales	14,039	-	-	-	14,039	27,430
Adult league	12,668	-	-	-	12,668	8,269
Cost of direct benefits to donors	-	-	-	5,704	5,704	4,267
Miscellaneous	4,997	555	-	-	5,552	6,216
Fundraising	-	-	4,138	-	4,138	2,743
Interest expense, amortization of debt issuance costs	3,891	205	-	-	4,096	4,418
Automobile	1,105	123	-	-	1,228	1,114
Loss on sale of property and equipment	1,147	-	-	-	1,147	-
Total expenses by function	3,561,137	288,526	4,138	5,704	3,859,505	3,475,086
Less expenses included with revenues on the statement of activities						
Concession cost of sales and operating expenses	(316,209)	-	-	-	(316,209)	(284,430)
Proshop cost of sales	(14,039)	-	-	-	(14,039)	(27,430)
Cost of direct benefits to donors	-	-	-	(5,704)	(5,704)	(4,267)
Total expenses included in the expense section of the statement of activities	\$ 3,230,889	\$ 288,526	\$ 4,138	\$ -	\$ 3,523,553	\$ 3,158,959

See Notes to Financial Statements

Richmond Volleyball Club

Statements of Cash Flows

Year Ended August 31, 2019, with Comparative Totals for the Year Ended August 31, 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ 29,140	\$ 81,539
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	175,168	170,252
Interest expense, amortization of debt issuance costs	4,096	4,418
(Gain) loss on sale of property and equipment	1,147	(725)
Donated property and equipment	-	(2,000)
<i>Changes in operating assets</i>		
Accounts receivable	(13,127)	(1,570)
Inventory	(7,323)	21,628
Prepaid expenses	(42,718)	23,242
Rent deposit	-	5,495
<i>Changes in operating liabilities</i>		
Accounts payable and accrued expenses	(2,879)	11,757
Contract liabilities	36,232	(29,518)
Rent deposit	(215)	(225)
Net cash provided by operating activities	<u>179,521</u>	<u>284,293</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	725
Purchase of property and equipment	(22,313)	(233,835)
Net cash (used in) investing activities	<u>(22,313)</u>	<u>(233,110)</u>
Cash Flows from Financing Activities		
Curtailed of long-term debt	(176,955)	(186,845)
Net cash (used in) financing activities	<u>(176,955)</u>	<u>(186,845)</u>
Net change in cash and cash equivalents	(19,747)	(135,662)
Cash and cash equivalents, beginning	<u>338,482</u>	<u>474,144</u>
Cash and cash equivalents, ending	<u>\$ 318,735</u>	<u>\$ 338,482</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 83,373</u>	<u>\$ 91,627</u>

See Notes to Financial Statements

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

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 two classes of net assets: with donor restrictions and without donor restrictions.

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, 2018.

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 are 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, 2019 and 2018, 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, 2019 and 2018 consists of the following:

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Sports attire and accessories	\$ 13,695	\$ 9,955
Concession food and beverages	<u>14,576</u>	<u>10,993</u>
	<u>\$ 28,271</u>	<u>\$ 20,948</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 \$38,191 and \$34,095 at August 31, 2019 and 2018, 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. Contract liabilities recognized on the statement of financial position represent 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 2019 and 2018 was \$76,430 and \$61,726, respectively.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

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

Net assets without donor restrictions include resources available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets of \$281,097 and \$270,306 as of August 31, 2019 and 2018, respectively, for facility improvements and juniors programs.

Net assets with donor restrictions include contributions with donor-imposed restrictions that may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or that may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2019 and 2018.

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 2016 to 2018 remain subject to examination by the taxing authorities.

Richmond Volleyball Club

Notes to Financial Statements

August 31, 2019 and 2018

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

The Club has determined that they do not have any material unrecognized tax benefits or obligations at August 31, 2019 and 2018. 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, 2019 and 2018.

Functional allocation of expenses

The costs of program services have been summarized on a functional basis in the combined statements of activities. The combined statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs benefitted.

Recently issued accounting standards

In 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Entities. The Club adopted the provisions of this new standard during the year ended August 31, 2019. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include expenses by nature and function; and
- The financial statements include a disclosure about liquidity and availability of resources (Note 3).

In 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) which established a single, comprehensive model of accounting for revenue from contracts with customers. The core principal of ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Club has reviewed its sources of revenue and determined that this guidance applies to program fees, income from tournaments and camps, concession income and proshop income. Those aforementioned sources of revenue contain a single delivery element and revenue is recognized at a single point in time when services are rendered, tournaments and camps occur and when items are sold and transferred to individuals. Accordingly, the timing of revenue is not impacted by the new standard.

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

Note 2. Commitments

The Club has a noncancellable operating lease for office equipment, with a total expense of \$5,116 and \$4,937 for the fiscal years ended August 31, 2019 and 2018, respectively.

Future minimum lease payments under the operating agreement that have remaining terms in excess of one year as of August 31, 2019 are:

2020	\$ 5,256
2021	5,256
2022	5,256
2023	5,256
2024	5,256
Later years	438
	<u>\$ 26,718</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, 2019 and 2018 was \$0 and \$72,000, respectively.

On December 17, 2018, 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 for the fiscal years ended August 31, 2019 and 2018 was \$240,000 and \$100,000, respectively.

Future minimum lease payments under the lease agreement as of August 31, 2019 are:

2020	\$ 240,000
2021	240,000
2022	240,000
2023	249,500
2024	262,800
Later years	941,700
	<u>\$2,174,000</u>

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

Note 3. Liquidity and Availability

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of August 31, 2019 are:

Cash and cash equivalents	\$ 318,735
Accounts receivable, net	<u>100,622</u>
Total financial assets	419,357
Less board restricted funds	
Facility improvements	230,402
Junior programs	<u>50,695</u>
	281,097
Amounts available for general expenditures within one year	<u>\$ 138,260</u>

Of the financial assets, \$281,097 are subject to board designations that make them unavailable for general expenditures within one year of the balance sheet date without board approval. These designations are in place to ensure the Club's ongoing and future viability to achieve its mission. Management and the Board of Directors regularly monitor liquidity needs of the Club.

Note 4. Long-Term Debt

Long-term notes payable are as follows:

	<u>2019</u>	<u>2018</u>
Atlantic Union Public Finance, Inc.:		
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	\$ 2,320,552	\$ 2,431,610
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
	<u>2,320,552</u>	<u>2,497,507</u>
Less unamortized debt issuance costs	35,650	39,746
	<u>\$ 2,284,902</u>	<u>\$ 2,457,761</u>

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

Note 4. Long-Term Debt (Continued)

	<u>2019</u>	<u>2018</u>
Totals shown on statement of financial position as:		
Amounts due within one year	\$ 109,515	\$ 177,192
Amounts due after one year	<u>2,175,387</u>	<u>2,280,569</u>
	<u>\$2,284,902</u>	<u>\$ 2,457,761</u>

At August 31, 2019, aggregate maturities of long-term debt are as follows:

2020	\$ 109,515
2021	120,375
2022	124,868
2023	129,529
2024	134,183
Later years	<u>1,702,082</u>
	<u>\$ 2,320,552</u>

On November 13, 2019, the Club refinanced a promissory note with Atlantic Union Public Finance, Inc. that had a maturity date of March 1, 2020. The balance of the note at the date of refinancing was \$2,301,184. The Club will be obligated to make monthly payments of \$16,626 including interest at a rate of 3.62% through November 1, 2034. The loan is secured by a first priority lien on all of the Club's property, equipment, fixtures and all of the Club's other assets.

In connection with the refinancing of the promissory note, the Club has also entered into an interest rate swap agreement with Atlantic Union Pacific Finance, Inc. with a notional amount of \$2,301,184 and effective date of November 13, 2019 and termination date of November 1, 2034. The fair value of the interest rate swap agreement will be based on the monthly USD-LIBOR-BBA-Bloomberg index as published, which reflects the present value of the difference between estimated future fixed payments and future variable rate receipts. If the USD-LIBOR-BBA-Bloomberg index falls below the fixed rate of the swap agreement for the month, then the present value is a negative amount which must be paid to Atlantic Union Pacific Finance, Inc. If the USD-LIBOR-BBA-Bloomberg index as published rises above the fixed rate, then the present value becomes a positive and must be paid by Atlantic Union Pacific Finance, Inc. to the Club.

Richmond Volleyball Club
Notes to Financial Statements
August 31, 2019 and 2018

Note 5. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocable include compensation and related expenses, depreciation, repairs and maintenance, utilities, interest, credit card and bank charges, marketing and advertising, office, insurance, taxes, computer, miscellaneous, interest expense, amortization of debt issuance costs and automobile expense.

Note 6. Line of Credit

The Club has a line of credit with Atlantic Union Public Finance, Inc. 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, 2019. The line of credit was renewed on October 4, 2019 and will mature on October 1, 2020. At August 31, 2019, no amounts were outstanding on this line of credit.

Note 7. Subsequent Events

Management has evaluated subsequent events through January 17, 2020, the date the financial statements were available for issue.

