

**NATIONAL WHEELCHAIR  
BASKETBALL ASSOCIATION**

**Financial Statements**

**For the Year Ended December 31, 2016**

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INDEPENDENT AUDITOR'S 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, 2016, and the related statements of activities and changes in net assets, functional expenses, 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 National Wheelchair Basketball Association as of December 31, 2016, 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.

### **Report on Summarized Comparative Information**

We have previously audited National Wheelchair Basketball Association's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado

June 29, 2017

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION  
Statement of Financial Position  
December 31, 2016  
(With Summarized Comparative Amounts for 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 301,179	\$ 474,619
Prepaid expenses	26,171	24,817
Accounts receivable		4,020
Pledges receivable	10,050	7,624
Deposits	3,000	
Total current assets	340,400	511,080
<b>PROPERTY AND EQUIPMENT:</b>		
Land		114,096
Building		486,411
Furniture & fixtures	7,495	8,449
Equipment	50,360	51,037
Building improvements		25,024
Less accumulated depreciation	(32,650)	(103,611)
Property and equipment - net	25,205	581,406
<b>OTHER ASSETS:</b>		
Investments designated for the Timothy J. Nugent Endowment Fund	188,713	182,724
Trademark	2,226	2,226
Total other assets	190,939	184,950
<b>TOTAL ASSETS</b>	<b>\$ 556,544</b>	<b>\$ 1,277,436</b>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 9,184	\$ 99,797
Accrued liabilities	83,835	57,327
Deferred revenue	31,781	54,438
Line of credit		350,000
Total current liabilities	124,800	561,562
<b>NET ASSETS:</b>		
Unrestricted	215,250	466,389
Unrestricted - board designated for the Timothy J. Nugent Endowment Fund	188,713	182,724
Temporarily restricted	27,781	66,761
Total net assets	431,744	715,874
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 556,544</b>	<b>\$ 1,277,436</b>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2016  
(With Summarized Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
<b>SUPPORT AND REVENUE:</b>				
USOC grants	\$ 300,000	\$	\$ 300,000	\$ 222,874
Telemarketing	225,994		225,994	284,296
Membership dues	102,161		102,161	85,303
Grants	98,602		98,602	242,455
Gain on sale of assets	92,216		92,216	
National tournament	82,910		82,910	60,775
Sponsorship and donations	71,660		71,660	280,546
Other income	33,896		33,896	24,883
Rental income - net of expenses of \$28,862 and \$30,412	6,233		6,233	44,753
Net investment income	4,096		4,096	(8,888)
Satisfied program restrictions	<u>38,980</u>	<u>(38,980)</u>		
Total support and revenue	1,056,748	(38,980)	1,017,768	1,236,997
<b>EXPENSES:</b>				
Program services:				
National	582,674		582,674	652,704
International	385,350		385,350	332,771
Public awareness	<u>65,681</u>		<u>65,681</u>	<u>81,746</u>
Total program services	1,033,705		1,033,705	1,067,221
Supporting services:				
General and administrative	165,321		165,321	183,708
Fundraising	<u>102,872</u>		<u>102,872</u>	<u>125,670</u>
Total supporting services	<u>268,193</u>		<u>268,193</u>	<u>309,378</u>
Total expenses	<u>1,301,898</u>		<u>1,301,898</u>	<u>1,376,599</u>
CHANGE IN NET ASSETS	(245,150)	(38,980)	(284,130)	(139,602)
NET ASSETS, beginning of year	<u>649,113</u>	<u>66,761</u>	<u>715,874</u>	<u>855,476</u>
NET ASSETS, end of year	<u>\$ 403,963</u>	<u>\$ 27,781</u>	<u>\$ 431,744</u>	<u>\$ 715,874</u>

See Notes to Financial Statements



NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION  
Statement of Cash Flows  
For the Year Ended December 31, 2016  
(With Summarized Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (284,130)	\$ (139,602)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	10,405	24,102
Gain on sale of property	(92,216)	
Realized and unrealized (gain) and loss on investments	(1,577)	14,905
(Increase) decrease in operating assets		
Accounts receivable	1,594	2,277
Prepaid expenses	(1,354)	21,618
Deposits	(3,000)	
Increase (decrease) in operating liabilities		
Accounts payable	(90,613)	39,621
Accrued liabilities	26,508	22,799
Deferred revenue	(22,657)	(125,124)
Total adjustments	<u>(172,910)</u>	<u>199</u>
Net cash used by operating activities	(457,040)	(139,403)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	675,000	
Acquisition of property and equipment		(3,591)
Change in investments, net	<u>(41,400)</u>	<u>446,248</u>
Net cash provided by investing activities	633,600	442,657
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on line of credit	<u>(350,000)</u>	
Net cash used by financing activities	<u>(350,000)</u>	
NET INCREASE (DECREASE) IN CASH	(173,440)	303,254
CASH AND CASH EQUIVALENTS, beginning of year	<u>474,619</u>	<u>171,365</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 301,179</u>	<u>\$ 474,619</u>

See Notes to Financial Statements

NATIONAL WHEELCHAIR BASKETBALL ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

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 June 29, 2017, 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.

Supplemental Cash Flow Disclosures

The Association paid \$15,158 and \$12,246 of interest expense during the years ended December 31, 2016 and 2015, respectively. The Association paid no income taxes during either year.

## 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 form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was 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 was 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 years ended December 31, 2016 and 2015, amounted to \$10,405 and \$24,102, respectively.

#### 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 presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or a statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

### 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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

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.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 115,954	\$	\$	\$ 115,954
Equities	68,800			68,800
Money market	3,959			3,959
	<u>\$ 188,713</u>	<u>\$</u>	<u>\$</u>	<u>\$ 188,713</u>

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 91,178	\$	\$	\$ 91,978
Equities	59,751			59,751
Cash	27,834			27,834
Money market	3,961			3,961
	<u>\$ 182,834</u>	<u>\$</u>	<u>\$</u>	<u>\$ 182,834</u>

Investment income consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Realized gains (losses)	\$ (4,198)	\$ (7,243)
Interest and dividends	4,990	11,752
Unrealized gains (losses)	5,775	(7,663)
Investment fees	<u>(2,471)</u>	<u>(5,734)</u>
Investment gain (loss)	<u>\$ 4,096</u>	<u>\$ (8,888)</u>

C. DEFERRED REVENUE

Deferred revenue at December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Membership dues	\$ 31,781	\$ 42,938
P&G Team USA Youth Sports Fund		11,500
	<u>\$ 31,781</u>	<u>\$ 54,438</u>

Notes to Financial Statements

D. BOARD DESIGNATED NET ASSETS

During 2004, the Board of Directors designated unrestricted net assets to establish the Timothy J. Nugent Endowment Fund in order to provide the Association with funds to promote wheelchair basketball. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Association has a policy that no portion of the principal amounts designated 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.

The Association has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31, 2016, were as follows:

Board-designated endowment net assets, beginning of year	\$ 182,724
Additions	2,166
Net investment earnings	<u>3,823</u>
Board-designated endowment net assets, end of year	<u>\$ 188,713</u>

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015, were restricted for the following purpose:

	<u>2016</u>	<u>2015</u>
Craig H. Neilson		
Foundation Grant	\$ 14,242	\$ 52,222
The Wayne Fund	<u>13,539</u>	<u>14,539</u>
	<u>\$ 27,781</u>	<u>\$ 66,761</u>

Notes to Financial Statements

E. TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose. During the years ended December 31, 2016 and 2015, respectively, temporarily restricted net assets were released from restrictions for the following programs:

	<u>2016</u>	<u>2015</u>
Craig H. Neilson		
Foundation Grant	\$ 37,980	\$ 72,778
The Wayne Fund scholarships	<u>1,000</u>	<u>1,000</u>
	<u>\$ 38,980</u>	<u>\$ 73,778</u>

F. LINE OF CREDIT

The Association had a \$350,000 line of credit available. The line required interest at 2.762% above the LIBOR index and expired September 12, 2016. The outstanding balance was repaid as of December 31, 2016; the Association did not renew the line of credit. The line of credit was secured by the Association's savings account.

G. 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 year ended December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Paralympic management	\$ 282,000	\$ 222,874
VIK - travel	<u>18,000</u>	<u>          </u>
Total	<u>\$ 300,000</u>	<u>\$ 222,874</u>

H. CONCENTRATIONS

During the years ended December 31, 2016 and 2015, the Association received approximately 22% and 23% of its total unrestricted support and revenue from its fundraising agreement.

## Notes to Financial Statements

### I. JOINT COSTS

During the years ended December 31, 2016 and 2015, the Association incurred joint costs of \$131,363 and \$163,491, respectively, for activities that included requests for contributions, as well as program components for public awareness. For the years ended December 31, 2016 and 2015, the Association allocated \$65,681 and \$81,745, respectively, to public awareness, and \$65,682 and \$81,746, respectively, to fund raising expense.

### J. LEASES

During 2016, the Association entered into a lease for office space. The lease commenced on May 26, 2016, and continues through May 26, 2017, with an option to extend for an additional year. This lease requires monthly payments of \$1,198.