

USA VOLLEYBALL
Financial Statements
For the Year Ended December 31, 2005

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Program Services	13
Schedule of Supporting Services	14



WAUGH & GOODWIN, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Volleyball
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of United States Volleyball Association, dba USA Volleyball (a nonprofit organization) as of December 31, 2005 and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's December 31, 2004 financial statements and, in our report dated March 18, 2005, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Volleyball as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and supporting services for the year ended December 31, 2005 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP
March 10, 2006

USA VOLLEYBALL
Statement of Financial Position
December 31, 2005
(With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,345,569	\$ 1,243,434
Accounts receivable (Note A)	526,519	184,288
Short-term investments (Note D)	2,533	39,205
Inventory	45,945	53,828
Prepaid expenses	349,839	225,737
Total current assets	2,270,405	1,746,492
LONG-TERM INVESTMENTS (Note E)	994,995	1,717,124
EQUIPMENT, at cost:		
Office furniture	59,323	57,862
Office equipment	164,295	166,720
Divisional equipment	220,689	50,734
Less accumulated depreciation	(197,943)	(207,094)
Equipment - net	246,364	68,222
TOTAL ASSETS	\$ 3,511,764	\$ 3,531,838
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 646,661	\$ 417,599
Accrued liabilities	1,326	4,265
Deferred compensation (Note L)	112,531	144,610
Deferred revenue (Note F)	189,295	200,735
Total current liabilities	949,813	767,209
NET ASSETS:		
Unrestricted	2,431,691	2,694,588
Board designated (Note B)	100,956	15,181
Temporarily restricted (Note C)	29,304	54,860
Total net assets	2,561,951	2,764,629
TOTAL LIABILITIES AND NET ASSETS	\$ 3,511,764	\$ 3,531,838

See Notes to Financial Statements

USA VOLLEYBALL
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2005
(With Comparative Totals for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
SUPPORT AND REVENUE:				
National programs	\$ 3,951,945	\$	\$ 3,951,945	\$ 3,701,839
Membership services	1,900,603		1,900,603	1,853,513
Sponsorship and marketing	1,433,954		1,433,954	1,529,361
USOC grants (Note J)	585,350		585,350	714,594
International programs	423,776		423,776	236,550
Product and ball sales less direct costs of \$142,669 and \$156,797	345,300		345,300	320,751
Other programs	167,065		167,065	122,240
Contributions	75,339	12,890	88,229	111,889
USPC grants (Note J)	60,000		60,000	175,000
Investment income	39,825		39,825	181,427
Satisfied program restrictions	<u>38,446</u>	<u>(38,446)</u>		
Total support and revenue	9,021,603	(25,556)	8,996,047	8,947,164
EXPENSES:				
Program services:				
National programs	3,860,901		3,860,901	3,768,529
Membership services	1,031,539		1,031,539	1,144,785
High performance programs	933,571		933,571	789,396
Development and other programs	280,385		280,385	216,919
International programs	114,526		114,526	518,014
Disabled programs	<u>101,467</u>		<u>101,467</u>	<u>199,272</u>
Total program services	6,322,389		6,322,389	6,636,915
Supporting services:				
National headquarters	1,022,794		1,022,794	942,514
Board of Directors	229,426		229,426	199,117
Sponsorship, marketing and public relations	227,869		227,869	263,409
Fundraising	<u>31,206</u>		<u>31,206</u>	<u>24,247</u>
Total supporting services	<u>1,511,295</u>		<u>1,511,295</u>	<u>1,429,287</u>
Total expenses	<u>7,833,684</u>		<u>7,833,684</u>	<u>8,066,202</u>
CHANGE IN NET ASSETS	1,187,919	(25,556)	1,162,363	880,962
NET ASSETS, beginning of year	2,709,769	54,860	2,764,629	1,883,667
TRANSFER TO USA VOLLEYBALL FOUNDATION (Note J)	<u>(1,365,041)</u>		<u>(1,365,041)</u>	
NET ASSETS, end of year	<u>\$ 2,532,647</u>	<u>\$ 29,304</u>	<u>\$ 2,561,951</u>	<u>\$ 2,764,629</u>

See Notes to Financial Statements

USA VOLLEYBALL
Statement of Cash Flows
For the Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,162,363	\$ 880,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,464	35,208
Net unrealized and realized (gains) losses on investments	23,107	(142,293)
Changes in assets and liabilities:		
Increase in accounts receivable	(342,231)	(64,052)
Increase in prepaid expenses and deposits	(124,100)	3,874
Decrease in inventory	7,883	(1,033)
Increase in accounts payable	229,062	93,536
Decrease in accrued liabilities	(2,939)	(10,504)
Decrease in deferred compensation	(32,079)	89,300
Decrease in deferred revenue	(11,440)	(76,164)
Total adjustments	<u>(221,273)</u>	<u>(72,128)</u>
Net cash provided by operating activities	941,090	808,834
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(209,608)	(66,100)
Net change in investments	735,694	(427,910)
Transfer to USA Volleyball Foundation	(1,365,041)	
Disposal of property and equipment		<u>1,351</u>
Net cash used by investing activities	(838,955)	(492,659)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in notes payable		<u>(2,784)</u>
Net cash used by financing activities		<u>(2,784)</u>
NET INCREASE IN CASH	102,135	313,391
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,243,434</u>	<u>930,043</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,345,569</u>	<u>\$ 1,243,434</u>

See Notes to Financial Statements

USA VOLLEYBALL
Notes to Financial Statements
For the Year Ended December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The United States Volleyball Association, dba USA Volleyball (the Association), is a nonprofit corporation organized in 1928 and incorporated in the State of California in 1970. The principal purposes of the Association are to foster and conduct area, regional, state and national amateur instructional and competitive volleyball programs and to represent the volleyball interests of the nation to the United States Olympic Committee (USOC) and to international volleyball organizations.

The Association is the National Governing Body of the sport of volleyball. The Association recognizes and sets general policy for Regional Volleyball Associations (RVA's). These RVA's are separate legal entities whose operations are controlled by their own elected boards.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on internal records and estimates made by the Association's management.

Income Taxes

The Association is an organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Association qualifies for charitable contribution deductions and is not a private foundation. Income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Association's checking, money market and petty cash accounts. The Association maintains its cash and cash equivalents primarily at one commercial bank. In the unlikely event of a bank failure, the Association might only be able to recover the amounts insured.

Accounts Receivable

The Association believes all accounts receivable are collectible, therefore no allowance for doubtful accounts is considered necessary.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Prepaid Expenses and Deferred Charges

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

Property and Equipment

Property and equipment consist of assets used in the operations of the Association. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation.

Depreciation is recorded using the straight-line method over an estimated life of three to five years. Depreciation expense was \$31,464 and \$35,208 for the years ended December 31, 2005 and 2004, respectively.

In-kind Revenue

Sponsorship income in the form of in-kind goods such as clothing and volleyballs are reported as revenue and expense in the fiscal year they are received.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Prior Year Comparisons

Certain reclassifications have been made to the prior year amounts in order to conform to the current year financial statement format.

B. BOARD DESIGNATED NET ASSETS

At December 31, 2005, Board designated net assets consist of the following:

Officials programs	\$ 15,181
YJOV programs	<u>85,775</u>
	<u>\$ 100,956</u>

C. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Disabled programs	\$ 17,039	\$ 7,283
Women's sitting team	12,265	9,131
Youth and Junior National Teams	<u> </u>	<u>38,446</u>
	<u>\$ 29,304</u>	<u>\$ 54,860</u>

Youth and Junior National Teams temporarily restricted net assets in the amount of \$38,446 were released from restriction during the year by transferring these funds to the USA Volleyball Foundation.

Notes to Financial Statements

D. SHORT-TERM INVESTMENTS

Short-term investments consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Money market funds	\$ 2,533	\$ 9,791
Mutual funds, at market	<u> </u>	<u>29,414</u>
Total market value	<u>\$ 2,533</u>	<u>\$ 39,205</u>

E. LONG-TERM INVESTMENTS

Long-term investments consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Stocks	\$ 665,419	\$1,161,044
Fixed income funds	260,297	490,870
Money market funds	28,759	64,560
Mutual funds	39,870	
Investment in USA Volleyball Properties	<u>650</u>	<u>650</u>
Total market value	<u>\$ 994,995</u>	<u>\$1,717,124</u>

Investment income consists of the following components for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Unrealized/realized gains (losses)	\$ (23,107)	\$ 142,293
Interest and dividends	<u>62,932</u>	<u>39,134</u>
	<u>\$ 39,825</u>	<u>\$ 181,427</u>

Notes to Financial Statements

F. DEFERRED REVENUE

Deferred revenue includes payments under corporate sponsor agreements, with terms in excess of one year, whereby revenue is recognized when earned based on the term of each agreement. Registration fees and other fees from RVA's received in advance of the January through August playing season are also deferred and recognized in the playing season to which they relate.

At December 31, 2005 and 2004, deferred revenue consists of the following:

	<u>2005</u>	<u>2004</u>
Region registrations	\$ 104,564	\$ 91,711
High performance development fee	43,680	
Official renewal fees	30,320	24,930
Impact fees	5,481	
Junior qualifier fees	5,250	
YJOV programs		84,044
League fees		50
	<u>\$ 189,295</u>	<u>\$ 200,735</u>

G. RETIREMENT PLAN

The Association has a 403(b) tax deferred retirement plan available to all eligible personnel. The plan enables employees to make contributions on a salary reduction basis of a percentage of their compensation. The Association matches contributions at a minimum of 3% up to 8% of base compensation for employees who have made a minimum 3% voluntary contribution and have completed ninety days of employment. Employee contributions are immediately vested. Employer contributions are fully vested on the first day of the month following completion of two years of employment. Employer contributions under this plan were \$103,201 and \$98,655 for the years ended December 31, 2005 and 2004, respectively.

H. COMMITMENTS AND CONTINGENCIES

The Association has entered into annual agreements with its players that call for monthly stipends to the players in exchange for their participation on the Association's volleyball teams. These monthly stipends conform to USOC, International Olympic Committee and the Federation Internationale de Volleyball guidelines and policies. For the years ended December 31, 2005 and 2004, the monthly stipends amounted to \$294,901 and \$439,842, respectively.

Notes to Financial Statements

H. COMMITMENTS AND CONTINGENCIES - Continued

The Association has a line of credit agreement with a local bank. The line of credit has a \$400,000 limit, with interest at 1.0% below prime and expires January 25, 2007. The line of credit is secured by the Association's inventory, equipment and investment accounts. There were no outstanding borrowings at December 31, 2005 and 2004.

I. LEASES

The Association leases office space under an operating lease that started March 20, 2001 and continues through March 31, 2009. The Association has the option to extend this lease for one year if notice is given to the landlord prior to December 31, 2008.

The Association also has operating leases for two copiers through May 2007, which require monthly payments of \$1,695.

During 2005, the Association entered into an operating lease agreement for a postage machine through August, 2009. This lease requires quarterly payments of \$783.

The Association leases warehouse space for storage under an operating lease commencing December 1, 2005 and continuing for a period of five years, expiring November 30, 2010.

Future minimum payments under these operating leases are as follows:

2006	\$ 127,992
2007	116,853
2008	110,203
2009	49,331
2010	25,300

Notes to Financial Statements

J. RELATED PARTIES

During the years ended December 31, 2005 and 2004, the United States Olympic Committee (USOC) provided grants to the Association under the following project categories:

	<u>2005</u>	<u>2004</u>
Performance pool	\$ 335,350	\$ 449,000
Base funding	250,000	251,474
Coaches development	<u> </u>	<u>14,120</u>
	<u>\$ 585,350</u>	<u>\$ 714,594</u>

The Association is economically dependent upon grants from the USOC in order to maintain its programs at current levels.

During the years ended December 31, 2005 and 2004, the Association also received grants from the USOC and U.S. Paralympics (USPC) in the amount of \$60,000 and \$175,000, respectively, to support disabled programs.

The USA Volleyball Foundation (USAVF) was formed to operate exclusively for the benefit and support of the Association and the Regional Volleyball Association. The purpose of the USAVF is to raise funds and acquire assets that will enable the Association to encourage, improve and promote amateur volleyball in the United States. The Corporation does not control the USAVF and therefore does not prepare consolidated financial statements.

During the year ended December 31, 2005, the Association transferred \$1,365,041 to the USAVF.

In addition to payments made pursuant to the deferred compensation arrangement discussed in Note L, the Corporation paid stipends during 2005 to certain board members for board services provided totaling \$30,000.

K. AFFILIATES

The Association has accounts receivable of \$20,216 and \$9,222 due from affiliates and RVA's at December 31, 2005 and 2004, respectively. The Association has accounts payable of \$0 and \$3,450 due to affiliates and RVA's as of December 31, 2005 and 2004, respectively.

Notes to Financial Statements

L. DEFERRED COMPENSATION

In prior years, the Association contracted with an individual to perform the duties of Executive Director. At December 31, 2005, the unpaid portion of the contract fee is accrued in the Association's financial statements. These funds have been set aside in a designated cash account.

USA VOLLEYBALL
Schedule of Program Services
For the Year Ended December 31, 2005

	National Programs	Membership Services	High Performance Programs	Development and Other Programs	International Programs	Disabled Programs	Total
Advertising and promotion	\$ 569	\$	\$	200	\$	\$	\$ 769
Apparel and equipment	383,239		121,091	18,132	616	18,355	541,433
Athlete support	294,901						294,901
Bad debts	3,047					10	3,057
Bank charges	12,174	16	5,962	4,672	355		23,179
Computer fees and support	3,712	54,564	1,019	1,441			60,736
Consulting fees	229						229
Contract labor	82,830	23,190	5,937	17,807		3,711	133,475
Donations (HOF)		5,000					5,000
Dues and fees	358	455	100	148	1,175	547	2,783
Educational materials				24,331			24,331
Equipment rent and maintenance	100,337						100,337
Event personnel	166,870						166,870
Facilities	326,063		7,490	5,050			338,603
Gifts and awards	44,724		752		517		45,993
Grants	13,500						13,500
Honorariums	1,500						1,500
Host fees	574,485	456,085	102,614	37,950	6,000	12,000	1,585,634
Insurance	99,431		269,444	16,190			457,585
Officials fees	9,335				161		574,646
Other expense	64,572	176,753	5,481	5,756			110,668
Postage and shipping	255,100	208,913	8,689	2,482	4,920	151	202,330
Printing and copies	919,898		1,484	4,159	81	20	279,229
Prize money	40,857	100,703		109,912	39,169	27,445	255,100
Salaries, benefits and taxes	3,681		224,830				1,421,957
Security	8,708			497			40,857
Small equipment	11,715	537	3,919				8,097
Storage	16,061		3,036	4,951	108		8,708
Supplies	423,005	3,750	1,518	702	25	433	20,347
Telephone			170,205	26,005	61,399		20,312
Travel, food and lodging						38,795	723,159
Total	\$ 3,860,901	\$ 1,031,539	\$ 933,571	\$ 280,385	\$ 114,526	\$ 101,467	\$ 6,322,389

USA VOLLEYBALL

Schedule of Supporting Services
For the Year Ended December 31, 2005

	National Headquarters	Board of Directors	Sponsorship, Marketing and Public Relations	Fundraising	Total
	\$	\$	\$	\$	\$
Accounting fees	10,730	500			11,230
Advertising and promotion			1,608	14	1,622
Apparel and equipment	3,180		350		3,530
Audiovisual expense		7,788			7,788
Bad debts	1,840		1,298		3,138
Bank charges and interest	3,350	26		13	3,389
Clipping service			558		558
Commissions		1,699	21,446		23,145
Computer fees and support	8,702				8,702
Continuing education and development	1,566				1,566
Contract labor	233		21,545		21,778
Depreciation expense	31,464				31,464
Donations	18,335	250			18,585
Dues and subscriptions	1,330		717		2,047
Educational programs		3,596			3,596
Equipment rent and maintenance	9,342				9,342
Event arbitrators-qualifiers		24,204			24,204
Facilities	1,978				1,978
Fundraising				10,909	10,909
Gifts and awards		5,271			5,271
Honorariums		32,000			32,000
Insurance	46,563				46,563
Internet expenses	17,250				17,250
Legal fees	9,126				9,126
Meeting and committee expense		44,453			44,453
Other expense	2,293	17,663	12,209	18	32,183
Photography and articles			7,091		7,091
Postage and shipping	3,081	831	1,100	111	5,123
Printing and copies	21,396	1,777	1,117	2	24,292
Promotion and office functions	3,372				3,372
Rating team		3,278			3,278
Rent	134,906				134,906
Salaries, benefits and taxes	606,333		111,787	18,390	736,510
Small equipment	22,972	1,120	14,983		39,075
Sponsor servicing			29,802		29,802
Storage	3,554				3,554
Supplies	14,764	2,401	302		17,467
Telephone	19,406	213	388		20,007
Travel, food and lodging	25,728	82,356	1,568	1,749	111,401
	<u>\$ 1,022,794</u>	<u>\$ 229,426</u>	<u>\$ 227,869</u>	<u>\$ 31,206</u>	<u>\$ 1,511,295</u>