

August 24, 2018

To the Board of Directors of the
Great Lakes Region Volleyball Association
745 McClintock Drive, Suite 314
Burr Ridge, IL 60527-0857

We have audited the financial statements of the Great Lakes Region Volleyball Association (the "Association") for the year ended June 30, 2018, and have issued our report thereon dated August 24, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was related to the determination of the need for a reserve for bad debts. Management's estimate of the reserve for bad debts is based upon prior experience and subsequent collection of amounts due the Association. We evaluated the key factors and assumptions used to develop the reserve for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Great Lakes Region Volleyball Association
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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and the management of the Great Lakes Region Volleyball Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kleiman + Company, P.C.

Great Lakes Region Volleyball Association

Financial Statements

June 30, 2018 and 2017

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Klesman & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

7110 West 127th Street • Suite 230
Palos Heights, Illinois 60463-1580
(708) 923-0200

Independent Auditor's Report

To the Board of Directors of
Great Lakes Region Volleyball Association

We have audited the accompanying financial statements of Great Lakes Region Volleyball Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and 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 audits 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 Great Lakes Region Volleyball Association as of June 30, 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.

Klesman & Company, P.C.

Palos Heights, Illinois
August 24, 2018

Great Lakes Region Volleyball Association
 Statements of Financial Position
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,067,803	\$ 978,228
Accounts receivable	275,370	185,648
Prepaid expenses	14,000	3,519
Security deposit	3,049	3,049
Property and equipment, net	<u>50,758</u>	<u>61,617</u>
Total assets	<u>\$ 1,410,980</u>	<u>\$ 1,232,061</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 12,554	\$ 18,164
Deferred revenue	117	117
Accrued expenses	<u>980</u>	<u>296</u>
Total liabilities	<u>13,651</u>	<u>18,577</u>
Net assets:		
Unrestricted	<u>1,397,329</u>	<u>1,213,484</u>
Total liabilities and net assets	<u>\$ 1,410,980</u>	<u>\$ 1,232,061</u>

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Activities
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Support and revenue:		
Member income	\$ 513,566	\$ 525,560
Membership support income	306,416	313,065
Background security check	19,179	21,042
Clinic fees	5,305	3,465
Entry fees	1,065,445	960,894
Sales	1,287	1,085
Miscellaneous income	1,714	595
Windy City National Qualifier	749,671	497,752
Team registration fees	16,575	17,550
Value of in-kind donations	113,106	91,152
Contributions	910	1,130
VIK – Benefits for members	<u>-</u>	<u>5,270</u>
	2,793,174	2,438,560
Less: Refunds	<u>(1,892)</u>	<u>(1,782)</u>
Total support and revenue	<u>2,791,282</u>	<u>2,436,778</u>
Expenses:		
Program services:		
Membership expense	243,182	248,993
Officers' salaries	22,000	30,000
Office salaries	24,450	25,450
Payroll taxes	3,553	4,242
Official division expense	8,467	5,247
Adult tournament expense	2,196	3,638
Junior tournament expense	12,984	17,197
Publications	3,530	2,095
Stipends	108,735	98,730
Windy City Power League	429,917	481,132
National Assistance	27,300	20,400
Windy City National Qualifier	1,122,296	796,009
Premier Volleyball League expense	<u>-</u>	<u>1,545</u>
Total program services	<u>2,008,610</u>	<u>1,734,678</u>
Supporting services:		
Travel	12,812	11,374
Officers' salaries	160,200	160,931
Office salaries	46,938	44,805
Payroll taxes and fees	16,602	16,640
Insurance	66,989	69,280
Medical insurance	21,186	19,413
Office expense	25,003	20,916
Postage	3,809	1,384

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Activities
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Rent expense	54,532	47,109
Contributions	2,799	2,451
Telephone and internet	15,769	13,310
Stipends	7,050	5,100
Professional fees	24,916	21,586
Executive board expenses	2,221	1,862
Background check expense	18,637	20,440
Depreciation	10,859	11,511
Bank and credit card fees	37,654	26,367
SEP pension plan expense	21,788	22,607
Other operating expense	<u>46,983</u>	<u>15,477</u>
Total supporting services	<u>596,747</u>	<u>532,563</u>
Other income (expenses):		
Interest income	3,854	4,071
Insurance – life	(354)	(354)
Other expense	<u>(5,580)</u>	<u>(3,938)</u>
Total other income (expense)	<u>(2,080)</u>	<u>(221)</u>
Change in unrestricted net assets	183,845	169,316
Net assets, beginning of year	<u>1,213,484</u>	<u>1,044,168</u>
Net assets, end of year	<u>\$ 1,397,329</u>	<u>\$ 1,213,484</u>

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 183,845	\$ 169,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,859	11,511
(Increase) decrease in assets:		
Accounts receivable	(89,722)	102,655
Deposits	-	6,710
Prepaid expenses	(10,481)	11,845
Increase (decrease) in liabilities:		
Accounts payable	(5,610)	(32,050)
Deferred revenue	-	117
Accrued expenses	<u>684</u>	<u>(584)</u>
Net cash provided by operating activities	<u>89,575</u>	<u>269,520</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(8,219)</u>
Net cash used in investing activities	<u>-</u>	<u>(8,219)</u>
Net change in cash and cash equivalents	89,575	261,301
Cash and cash equivalents, beginning of year	<u>978,228</u>	<u>716,927</u>
Cash and cash equivalents, end of year	<u>\$ 1,067,803</u>	<u>\$ 978,228</u>

Supplemental cash flow information

There was no cash paid for interest or income taxes for the years ended June 30, 2018 and 2017.

The accompanying notes to financial statements
 are an integral part of this statement.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2018 and 2017

Note 1. Summary of significant accounting policies

Organization and nature of activities

USA Volleyball ("USAV") is the national governing body of volleyball in the United States of America, and is a charter member of the Federation Internationale de Volleyball ("FIVB") and a member of the United States Olympic Committee. Great Lakes Region Volleyball Association (the "Organization") is recognized as a regional volleyball association ("RVA") of USAV. The Organization accepts memberships from players to ensure quality play under the USAV rules and regulations, provides sanctioned tournaments with certified officials, provides clinics for coaches and officials, and provides the necessary administrative services required to hold regional volleyball tournaments.

In order to maintain its recognition as an RVA, the Organization must pay fees to the USAV based upon its total membership. These fees are allocated to various program expenses and influence the Organization's own membership fee structure. The amount of such fees paid to USAV for the year ended June 30, 2018 amounted to \$243,182 (\$248,993 for the year ended June 30, 2017).

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed in 1977 and its activities are governed by a Board of Directors. The Organization's support and revenues come primarily from membership income and entry fees for participation in sanctioned events taking place in the Midwest and the Chicago metropolitan area.

Basis of accounting

The Organization maintains its financial records in accordance with the accrual basis method of accounting. Under this method, income is recognized when earned and expenses are recognized when incurred.

The Organization reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2018 and 2017 there were no temporarily restricted or permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of financial position and the statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Included in the balance of cash and cash equivalents at June 30, 2018 is approximately \$41,000 which represents amounts deposited in banks in excess of the \$250,000 federally insured amounts. The Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to any significant credit risk relating to cash and cash equivalents.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2018 and 2017

Note 1. Summary of significant accounting policies (continued)

Contributions and revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if the gifts 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 classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions in which the restrictions are met in the same reporting period are reported as unrestricted support.

Revenue is recorded at the time a new member registers and enters the Organization. Membership fees cover one volleyball season and all players participating in sanctioned competitions in the Great Lakes region must be registered with a team for the season. Refunds are only given within one month of registration, provided the player has not yet participated in any events.

Accounts receivable

Included in accounts receivable at June 30, 2018 is \$274,920 (\$183,798 at June 30, 2017) representing housing rebates and commissions that are due from one hotel chain in connection with the Windy City National Qualifier, which is a USAV sanctioned event. Accounts receivable are generally due upon the issuance of an invoice and are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a reserve for bad debts based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the reserve balance and a credit to the applicable accounts receivable. It was management's opinion, however, that no reserve for bad debts was necessary at June 30, 2018 or 2017.

Property and equipment

The Organization's policy is to capitalize property and equipment additions over \$1,000, and to depreciate them using the straight-line method over their estimated useful lives ranging from five to forty years. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Contributed goods and services

The Organization receives sponsorships in the form of donated goods, such as clothing and volleyballs. These in-kind donations are reflected in the accompanying financial statements as support and revenue with a corresponding offset to expense. The amounts of such in-kind donations were \$113,106 and \$91,152 for the years ended June 30, 2018 and 2017, respectively.

No amounts have been reflected in the accompanying financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2018 and 2017

Note 1. Summary of significant accounting policies (continued)

Prepaid expenses

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

Advertising costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$2,931 and \$2,358 for the years ended June 30, 2018 and 2017, respectively.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, the Organization had no income tax liability for the years ended June 30, 2018 and 2017. In addition, there were no interest or penalties associated with income taxes reflected in the financial statements.

The Organization prepares and files IRS Form 990, Return of Organization Exempt from Income Tax, annually with the Internal Revenue Service.

Date of management's review

The management of Great Lakes Region Volleyball Association has evaluated subsequent events through August 24, 2018, the date on which the financial statements were available to be issued.

Note 2. Property and equipment, net

Property and equipment are comprised of the following:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 52,663	\$ 52,663
Office furniture/equipment	<u>67,617</u>	<u>67,617</u>
	120,280	120,280
Less accumulated depreciation and amortization	<u>(69,522)</u>	<u>(58,663)</u>
Property and equipment, net	<u>\$ 50,758</u>	<u>\$ 61,617</u>

Depreciation expense was \$10,859 and \$11,511 for the years ended June 30, 2018 and 2017, respectively.

Great Lakes Region Volleyball Association
Notes to Financial Statements
June 30, 2018 and 2017

Note 3. Simplified employee pension plan

The Organization maintains a qualified Simplified Employee Pension ("SEP") Plan and a qualified contributory 403(b) plan covering all employees who have completed one day of employment, except for employees covered by a collective bargaining agreement and those earning less than \$300 of compensation. Contributions to the SEP are at the discretion of the Organization's Board of Directors. Employees may make pre-tax contributions to the 403(b) plan in the amount of 6% of annual compensation up to the maximum amount allowed under the Internal Revenue Code. During the years ended June 30, 2018 and 2017, the Organization made contributions to the SEP plan in the amount of \$21,788 and \$22,607, respectively.

Note 4. Lease commitments

The Organization leases office space from an unaffiliated company under an agreement which expires on April 30, 2020. The minimum rental amounts are stipulated in the lease agreement and may be subject to adjustment depending on increased real estate taxes and operating expenses of the lessor. The minimum annual payments due under this agreement are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 48,309
2020	<u>41,278</u>
	<u>\$ 89,587</u>

Amounts charged to rent expense were \$54,532 and \$47,249 for the years ended June 30, 2018 and 2017, respectively.

Note 5. Windy City National Qualifier

The USAV sanctions twelve National Qualifying tournaments referred to as National Qualifiers ("NQ"). These tournaments are awarded through a bid process and the Organization was awarded the 12th National Qualifier for 2018 and 2017. The primary purpose of the NQ is to select, through tournament competition, various teams that will compete at a national competition.

Note 6. Related party transactions

The Organization receives commission payments from a company whose owner is also an officer of Great Lakes Region Volleyball Association. The payments are received as commissions related to the sales of apparel at the NQ event. The amount of such commissions received by the Organization was \$65,275 and \$48,213 for the years ended June 30, 2018 and 2017, respectively.