

**Great Lakes Region Volleyball Association**  
**Financial Statements**  
**June 30, 2020 and 2019**

Great Lakes Region Volleyball Association  
Report Index  
June 30, 2020 and 2019

Independent auditor's report

Statements of financial position

Statements of activities

Statements of functional expenses

Statements of cash flows

Notes to financial statements

**Klesman & Company, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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  
September 9, 2020

Great Lakes Region Volleyball Association  
 Statements of Financial Position  
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,837,337	\$ 1,483,429
Accounts receivable	96	348,146
Prepaid expenses	15,351	15,250
Security deposit	3,049	3,049
Property and equipment, net	<u>38,909</u>	<u>40,792</u>
Total assets	<u>\$ 1,894,742</u>	<u>\$ 1,890,666</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 2,130	\$ 8,845
Deferred revenue	-	210
SBA Paycheck Protection Program loan payable	<u>63,563</u>	<u>-</u>
Total liabilities	<u>65,693</u>	<u>9,055</u>
Net assets:		
Without donor restrictions	<u>1,829,049</u>	<u>1,881,611</u>
Total liabilities and net assets	<u>\$ 1,894,742</u>	<u>\$ 1,890,666</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Support and revenue:		
Entry fees	\$ 1,514,084	\$ 1,501,191
Windy City National Qualifier	15,765	932,157
Member income	547,558	557,398
Membership support income	315,088	329,537
Value of in-kind donations	85,317	141,100
Background security check	21,671	22,409
Team registration fees	-	17,944
Clinic fees	2,000	4,350
Sales	1,922	2,809
Miscellaneous income	1,166	1,474
Contributions	<u>1,130</u>	<u>928</u>
	2,505,701	3,511,297
Less: Refunds	<u>(929,942)</u>	<u>(29,221)</u>
Total support and revenue	<u>1,575,759</u>	<u>3,482,076</u>
Functional expenses:		
Program services	1,093,706	2,534,355
Supporting activities:		
Management and general activities	<u>553,893</u>	<u>488,776</u>
Total functional expenses	<u>1,647,599</u>	<u>3,023,131</u>
Other income (expenses):		
Interest income	18,783	25,691
Gain on disposition of asset	849	
Insurance – life	<u>(354)</u>	<u>(354)</u>
Total other income (expense)	<u>19,278</u>	<u>25,337</u>
Change in net assets	(52,562)	484,282
Net assets without donor restrictions, beginning of year	<u>1,881,611</u>	<u>1,397,329</u>
Net assets without donor restrictions, end of year	<u>\$ 1,829,049</u>	<u>\$ 1,881,611</u>

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

Great Lakes Region Volleyball Association  
Statement of Functional Expenses  
For the Year ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Windy City National Qualifier	\$ 121,383	\$ -	\$ 121,383
Windy City Power League	516,811	-	516,811
Membership expense	249,389	-	249,389
Stipends	65,500	5,770	71,270
Salaries and wages	37,250	265,800	303,050
Team Support	1,250	-	1,250
Other expense	4,767	971	5,738
Bank and credit card fees	17,124	19,489	36,613
Rent expense	17,208	43,997	61,205
Office expense	10,483	11,890	22,373
Official division expense	9,812	-	9,812
Travel and hospitality	20,107	3,453	23,560
Payroll taxes and fees	3,118	22,252	25,370
Professional fees	3,620	16,584	20,204
Telephone and internet	2,340	12,412	14,752
Publications	2,672	-	2,672
Contributions	2,800	1,200	4,000
Postage	1,243	675	1,918
Insurance	315	69,493	69,808
Depreciation	995	8,986	9,981
Executive Board expense	-	2,408	2,408
Junior tournament expense	5,519	-	5,519
Background check expense	-	22,860	22,860
SEP pension plan expense	-	26,102	26,102
Medical insurance	-	19,551	19,551
	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 1,093,706</u>	<u>\$ 553,893</u>	<u>\$ 1,647,599</u>

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

Great Lakes Region Volleyball Association  
Statement of Functional Expenses  
For the Year ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Windy City National Qualifier	\$ 1,228,046	\$ -	\$ 1,228,046
Windy City Power League	698,546	-	698,546
Membership expense	261,718	-	261,718
Stipends	122,840	8,555	131,395
Salaries and wages	65,950	187,668	253,618
National Assistance	40,950	-	40,950
Other expense	28,356	3,727	32,083
Bank and credit card fees	24,724	24,091	48,815
Rent expense	15,132	44,113	59,245
Office expense	11,307	10,928	22,235
Official division expense	10,554	-	10,554
Travel and hospitality	7,575	7,639	15,214
Payroll taxes and fees	5,364	15,264	20,628
Professional fees	4,256	22,297	26,553
Telephone and internet	2,460	13,576	16,036
Publications	1,810	-	1,810
Contributions	1,160	3,692	4,852
Postage	1,079	662	1,741
Insurance	985	70,248	71,233
Depreciation	918	9,886	10,804
Executive Board expense	393	3,316	3,709
Junior tournament expense	232	-	232
Background check expense	-	22,498	22,498
SEP pension plan expense	-	21,352	21,352
Medical insurance	-	19,264	19,264
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total functional expenses	<u>\$ 2,534,355</u>	<u>\$ 488,776</u>	<u>\$ 3,023,131</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (52,562)	\$ 484,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,981	10,804
(Gain) loss on disposition of assets	(849)	315
(Increase) decrease in assets:		
Accounts receivable	348,050	(72,776)
Prepaid expenses	(101)	(1,250)
Increase (decrease) in liabilities:		
Accounts payable	(6,715)	(3,709)
Deferred revenue	(210)	93
Accrued expenses	-	(980)
	<u>          </u>	<u>          </u>
Net cash provided by operating activities	<u>297,594</u>	<u>416,779</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(7,249)</u>	<u>(1,153)</u>
	<u>          </u>	<u>          </u>
Net cash used in investing activities	<u>(7,249)</u>	<u>(1,153)</u>
Cash flows from financing activities:		
Proceeds from SBA Paycheck Protection Program loan payable	<u>63,563</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Net cash provided by financing activities	<u>63,563</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Net change in cash and cash equivalents	353,908	415,626
Cash and cash equivalents, beginning of year	<u>1,483,429</u>	<u>1,067,803</u>
Cash and cash equivalents, end of year	<u>\$ 1,837,337</u>	<u>\$ 1,483,429</u>

Supplemental cash flow information

There was no cash paid for interest or income taxes for the years ended June 30, 2020 and 2019.

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



Great Lakes Region Volleyball Association  
Notes to Financial Statements  
June 30, 2020 and 2019

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, 2020 amounted to \$249,389 (\$261,718 for the year ended June 30, 2019).

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 and revenue recognition

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.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as with donor restrictions 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, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements 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.

Net assets

Net assets, revenues, gains, and losses are classified based upon the existence or absence of donor or grantor imposed restrictions. As of June 30, 2020 and 2019, all of the Organization's net assets are unrestricted. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Great Lakes Region Volleyball Association  
Notes to Financial Statements  
June 30, 2020 and 2019

Note 1. Summary of significant accounting policies (continued)

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, 2020 is approximately \$1,085,000 which represents amounts deposited in banks and brokerage accounts in excess of the \$250,000 FDIC and SIPC 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.

Accounts receivable

Included in accounts receivable at June 30, 2019 was \$346,986 (none at June 30, 2020) 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 either June 30, 2020 or 2019.

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 \$85,317 and \$141,100 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

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 \$825 and \$1,500 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019. 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. Generally, tax returns may be examined by the IRS for three years after they are filed; therefore, tax returns for the years ending after June 30, 2016 are still subject to examination by the IRS.

Functional allocation of expenses

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

Date of management's review

The management of Great Lakes Region Volleyball Association has evaluated subsequent events through September 9, 2020, 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>2020</u>	<u>2019</u>
Computer equipment	\$ 55,238	\$ 52,663
Office furniture/equipment	<u>72,000</u>	<u>68,058</u>
	127,238	120,721
Less accumulated depreciation and amortization	<u>(88,329)</u>	<u>(79,929)</u>
Property and equipment, net	<u>\$ 38,909</u>	<u>\$ 40,792</u>

Depreciation expense was \$9,981 and \$10,804 for the years ended June 30, 2020 and 2019, respectively.

Great Lakes Region Volleyball Association  
Notes to Financial Statements  
June 30, 2020 and 2019

Note 3. SBA Paycheck Protection Program loan payable

On May 4, 2020, the Organization received a loan in the amount of \$63,563 from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan is part of an economic stimulus package initiated by the United States government and administered by the SBA in response to the COVID-19 pandemic.

Under the terms of the loan and the PPP program, the Organization may apply for either partial or complete forgiveness of the PPP loan amount, provided the proceeds are spent on certain qualified expenditures and required levels of employment are maintained. Amounts that are not forgiven are to be repaid within two years of the loan origination date, and payments may be deferred for at least ten months. Interest on the amount of any unforgiven PPP loan is calculated at 1% per annum. It is management's belief, however, that the entire PPP loan amount will be forgiven.

Note 4. 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. The Organization makes contributions of 9% of each employee's annual compensation to the SEP, up to \$5,400. Employees may make pre-tax contributions to the 403(b) plan up to the maximum amount allowed under the Internal Revenue Code. During the years ended June 30, 2020 and 2019, the Organization made contributions to the SEP plan in the amount of \$26,102 and \$21,352, 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 12<sup>th</sup> National Qualifier for 2019 and 2018. 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 \$0 and \$77,438 for the years ended June 30, 2020 and 2019, respectively.

Note 7. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,837,337
Accounts receivable	<u>96</u>
	<u>\$ 1,837,433</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds.

Great Lakes Region Volleyball Association  
Notes to Financial Statements  
June 30, 2020 and 2019

Note 8. Lease commitments

The Organization leases office space from an unaffiliated company under an agreement which expires on April 30, 2025. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 62,717
2022	64,076
2023	65,434
2024	66,793
2025	<u>56,604</u>
	<u>\$ 315,624</u>

Amounts charged to rent expense were \$61,205 and \$59,245 for the years ended June 30, 2020 and 2019, respectively.

Note 9. COVID-19 outbreak

The COVID-19 outbreak in the United States has disrupted businesses, supply chains and consumer demand across a broad range of industries and countries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend upon certain developments, including the duration and spread of the outbreak, the impact upon the Organization's members, employees and vendors, all of which are uncertain and cannot be predicted. Management is carefully monitoring the situation and evaluating its options at this time. Thus far, the Organization has cancelled the Windy City National Qualifier which was scheduled to take place in the spring of 2020. In addition, the Organization has refunded entry fees and deposits related to the cancelled event, and these refunds are reflected in the accompanying statements of activities. As a result, the extent to which COVID-19 may continue to impact the Organization's financial position or activities is uncertain. No adjustments have been made to these financial statements as a result of this uncertainty.