

**UNITED STATES BOWLING CONGRESS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**UNITED STATES BOWLING CONGRESS, INC.**  
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**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United States Bowling Congress, Inc.  
Arlington, Texas

We have audited the accompanying financial statements of United States Bowling Congress, Inc. which comprise the statements of financial position as of December 31, 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.

### ***Auditors' 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 auditors' 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.

Board of Directors  
United States Bowling Congress, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Bowling Congress, Inc. as of December 31, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Wauwatosa, Wisconsin  
March 31, 2021

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,492,584	\$ 8,154,868
Accounts Receivable, Net	1,018,656	54,841
Due from Related Parties	482,062	243,939
Inventory	123,447	133,380
Prepaid Expenses and Other	440,604	297,129
Total Current Assets	<u>11,557,353</u>	<u>8,884,157</u>
<b>INVESTMENTS</b>		
Investments, at Fair Value	22,321,101	29,622,289
Investment in International Bowling Campus, LLC	4,850,091	5,243,716
Total Investments	<u>27,171,192</u>	<u>34,866,005</u>
<b>NOTE RECEIVABLE</b>	91,244	87,315
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and Fixtures	13,827,735	13,788,495
Tournament Equipment	13,665,339	13,569,469
Vehicles	117,028	117,028
Software	4,212,411	4,202,411
Total, at Cost	<u>31,822,513</u>	<u>31,677,403</u>
Less: Accumulated Depreciation	<u>27,768,555</u>	<u>26,640,215</u>
Total Property and Equipment	<u>4,053,958</u>	<u>5,037,188</u>
<b>GOODWILL, NET OF ACCUMULATED AMORTIZATION</b>	<u>338,333</u>	<u>-</u>
Total Assets	<u><u>\$ 43,212,080</u></u>	<u><u>\$ 48,874,665</u></u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 244,673	\$ 362,973
Due to Related Parties	13,367	246,890
Accrued Liabilities	2,110,253	1,743,240
Current Portion of Postretirement Benefit Obligation	87,000	101,000
Current Portion of Deferred Revenue - Tournament Subsidy	166,000	166,000
Deferred Revenue - National Tournaments	8,983,364	10,507,492
Deferred Revenue - Membership Dues	4,305,257	6,902,603
Deferred Revenue - BowlTV Subscriptions	43,407	37,379
Deferred Revenue - Bowlers Journal Subscriptions	84,944	-
Total Current Liabilities	<u>16,038,265</u>	<u>20,067,577</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue - Tournament Subsidy, Less Current Portion Above	585,000	460,000
Postretirement Benefit Obligation, Less Current Portion Above	846,147	1,050,998
Total Long-Term Liabilities	<u>1,431,147</u>	<u>1,510,998</u>
Total Liabilities	17,469,412	21,578,575
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	12,652,918	15,148,581
Designated for Operating Reserve	<u>13,089,750</u>	<u>12,147,509</u>
Total Net Assets	<u>25,742,668</u>	<u>27,296,090</u>
Total Liabilities and Net Assets	<u><u>\$ 43,212,080</u></u>	<u><u>\$ 48,874,665</u></u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Membership Dues	\$ 11,499,889	\$ -	\$ 11,499,889
Merchandise Sales	44,923	-	44,923
Workshops and Seminars	100,912	-	100,912
Special Events, Booths, and Concessions	127,357	-	127,357
Tournament Entry and Prize Fees	191,013	-	191,013
Tournament and Conventions Subsidy	209,850	-	209,850
Brackets	185	-	185
Advertising	150,415	-	150,415
Royalty	1,310,347	-	1,310,347
Sponsorship	182,524	-	182,524
Contributions	67,159	-	67,159
Net Investment Return	1,202,882	-	1,202,882
BowlTV	150,917	-	150,917
Other	577,301	-	577,301
PPP Loan Forgiveness	1,693,900	-	1,693,900
Bowlers Journal	35,242	-	35,242
Total Revenues	17,544,816	-	17,544,816
<b>EXPENSES</b>			
Salaries	6,972,811	-	6,972,811
Fringe Benefits	1,815,273	-	1,815,273
Employee Recruitment and Training	62,988	-	62,988
Temporary Agency Services	440,107	-	440,107
Professional Services	2,141,850	-	2,141,850
Supplies	103,922	-	103,922
Resale Merchandise	30,951	-	30,951
Prizes	189,635	-	189,635
Awards	363,883	-	363,883
Telephone	47,586	-	47,586
Postage and Freight	338,697	-	338,697
Facilities	1,025,260	-	1,025,260
Equipment Maintenance and Repairs	669,567	-	669,567
Depreciation	1,128,340	-	1,128,340
Amortization	11,667	-	11,667
Printing	172,036	-	172,036
Promotion, Sponsorships, and Programs	634,523	-	634,523
Travel	226,657	-	226,657
Insurance	369,900	-	369,900
Contributions	1,752,655	-	1,752,655
Lineage and Construction	232,821	-	232,821
Miscellaneous	97,232	-	97,232
Total Expenses	18,828,361	-	18,828,361
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(1,283,545)	-	(1,283,545)
<b>EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC</b>	(393,625)	-	(393,625)
<b>CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE</b>	123,748	-	123,748
<b>CHANGE IN NET ASSETS</b>	(1,553,422)	-	(1,553,422)
Net Assets - Beginning of Year	27,296,090	-	27,296,090
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 25,742,668</u>	<u>\$ -</u>	<u>\$ 25,742,668</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Membership Dues	\$ 14,780,970	\$ -	\$ 14,780,970
Merchandise Sales	130,157	-	130,157
Workshops and Seminars	329,100	-	329,100
Special Events, Booths, and Concessions	214,903	-	214,903
Tournament Entry and Prize Fees	13,910,065	-	13,910,065
Tournament and Conventions Subsidy	2,883,965	-	2,883,965
Brackets	1,308,698	-	1,308,698
Advertising	49,526	-	49,526
Royalty	1,074,858	-	1,074,858
Sponsorship	718,071	-	718,071
Contributions	93,029	-	93,029
Net Investment Return	1,466,057	-	1,466,057
BowlTV	166,562	-	166,562
Other	544,675	-	544,675
Release From Restrictions	388,168	(388,168)	-
Total Revenues	38,058,804	(388,168)	37,670,636
<b>EXPENSES</b>			
Salaries	7,131,395	-	7,131,395
Fringe Benefits	1,530,683	-	1,530,683
Employee Recruitment and Training	229,668	-	229,668
Temporary Agency Services	3,122,293	-	3,122,293
Professional Services	4,227,844	-	4,227,844
Supplies	182,534	-	182,534
Resale Merchandise	162,737	-	162,737
Prizes	8,825,270	-	8,825,270
Awards	850,695	-	850,695
Telephone	176,302	-	176,302
Postage and Freight	901,986	-	901,986
Facilities	980,243	-	980,243
Equipment Maintenance and Repairs	840,050	-	840,050
Depreciation	1,679,238	-	1,679,238
Printing	295,069	-	295,069
Promotion, Sponsorships, and Programs	857,196	-	857,196
Travel	1,601,456	-	1,601,456
Insurance	451,847	-	451,847
Contributions	982,307	-	982,307
Lineage and Construction	1,286,499	-	1,286,499
Miscellaneous	353,005	-	353,005
Total Expenses	36,668,317	-	36,668,317
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	1,390,487	(388,168)	1,002,319
<b>EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC</b>	(313,020)	-	(313,020)
<b>CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE</b>	(153,800)	-	(153,800)
<b>CHANGE IN NET ASSETS</b>	923,667	(388,168)	535,499
Net Assets - Beginning of Year	26,372,423	388,168	26,760,591
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 27,296,090</u>	<u>\$ -</u>	<u>\$ 27,296,090</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management and General	Total
Salaries	\$ 5,816,146	\$ 1,156,665	\$ 6,972,811
Fringe Benefits	1,573,373	241,900	1,815,273
Employee Recruitment and Training	48,840	14,148	62,988
Temporary Agency Services	440,107	-	440,107
Professional Services	1,209,919	931,931	2,141,850
Supplies	101,477	2,445	103,922
Resale Merchandise	30,951	-	30,951
Prizes	189,635	-	189,635
Awards	354,497	9,386	363,883
Telephone	47,586	-	47,586
Postage and Freight	334,911	3,786	338,697
Facilities	49,691	975,569	1,025,260
Equipment Maintenance and Repairs	631,807	37,760	669,567
Depreciation	-	1,128,340	1,128,340
Amortization	-	11,667	11,667
Printing	170,200	1,836	172,036
Promotion, Sponsorships, and Programs	296,151	338,372	634,523
Travel	158,275	68,382	226,657
Insurance	108,312	261,588	369,900
Contributions	1,583,707	168,948	1,752,655
Lineage and Construction	232,821	-	232,821
Miscellaneous	96,902	330	97,232
Total Expenses by Function	<u>\$ 13,475,308</u>	<u>\$ 5,353,053</u>	<u>\$ 18,828,361</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management and General	Total
Salaries	\$ 5,774,828	\$ 1,356,567	\$ 7,131,395
Fringe Benefits	1,301,391	229,292	1,530,683
Employee Recruitment and Training	128,715	100,953	229,668
Temporary Agency Services	3,120,440	1,853	3,122,293
Professional Services	3,115,237	1,112,607	4,227,844
Supplies	176,737	5,797	182,534
Resale Merchandise	162,737	-	162,737
Prizes	8,825,270	-	8,825,270
Awards	833,617	17,078	850,695
Telephone	176,302	-	176,302
Postage and Freight	896,198	5,788	901,986
Facilities	68,537	911,706	980,243
Equipment Maintenance and Repairs	795,126	44,924	840,050
Depreciation	-	1,679,238	1,679,238
Printing	286,278	8,791	295,069
Promotion, Sponsorships, and Programs	709,659	147,537	857,196
Travel	1,208,424	393,032	1,601,456
Insurance	121,468	330,379	451,847
Contributions	378,785	603,522	982,307
Lineage and Construction	1,286,499	-	1,286,499
Miscellaneous	333,179	19,826	353,005
Total Expenses by Function	<u>\$ 29,699,427</u>	<u>\$ 6,968,890</u>	<u>\$ 36,668,317</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,553,422)	\$ 535,499
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	1,128,340	1,679,238
Amortization	11,667	-
Imputed Interest Income	(3,929)	(3,760)
Increase (Decrease) in Post-Retirement Benefit Obligation	(218,851)	78,321
Net Realized and Unrealized Gains on Investments	(592,611)	(1,015,984)
Equity in Net Loss of International Bowling Campus, LLC	393,625	313,020
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(963,815)	(14,890)
Due from Related Parties	(238,123)	(47,690)
Inventory	9,933	(14,493)
Prepaid Expenses and Other	(143,475)	82,430
Accounts Payable	(118,300)	(210,421)
Due to Related Parties	(233,523)	(39,603)
Accrued Liabilities	367,013	101,511
Deferred Revenue	(3,905,502)	845,379
Net Cash Provided (Used) by Operating Activities	<u>(6,060,973)</u>	<u>2,288,557</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of Investments	8,500,000	3,408,021
Purchases of Investments	(606,201)	(20,629,214)
Purchases of Property and Equipment	(145,110)	(202,842)
Purchase of Bowlers Journal	(350,000)	-
Net Cash Provided (Used) by Investing Activities	<u>7,398,689</u>	<u>(17,424,035)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,337,716	(15,135,478)
Cash and Cash Equivalents - Beginning of Year	<u>8,154,868</u>	<u>23,290,346</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 9,492,584</u></u>	<u><u>\$ 8,154,868</u></u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The United States Bowling Congress, Inc. (USBC) was incorporated on June 3, 2004 in the state of Wisconsin for the purposes of developing interest and participation in the sport of bowling by overseeing competition and providing programs and services to its membership. USBC's revenues are derived primarily from membership dues and tournament entry fees. The following footnotes report information for the years ended December 31, 2020 and 2019. Significant accounting policies followed by USBC are presented below.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

USBC considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Accounts receivable are uncollateralized obligations. Accounts receivable are stated at the invoice amount. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on a calculated percentage of sales. If there is a deterioration of credit worthiness, or actual defaults are higher than the historical experience, management's estimates of recoverability of amounts due USBC could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The allowance for doubtful accounts was \$-0- at December 31, 2020 and 2019.

**Inventory**

Inventory consists of resale merchandise and awards and is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis.

**Investments**

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are included in the statements of activities.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risks and Uncertainties**

USBC utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect USBC's account balances and the amounts reported in the financial statements.

During the year ended December 31, 2020 the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to USBC, operations were impacted due to the COVID-19 pandemic. Tournaments and events were cancelled, resulting in reduced revenues and related expenses. Management believes USBC is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and can not be reasonably estimated as of December 31, 2020.

**Investment in International Bowling Campus, LLC**

USBC owns a 50% interest in International Bowling Campus, LLC (IBC). The investment is accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for USBC's proportionate share of undistributed earnings or losses, and capital contributions and distributions.

**Property and Equipment**

Property and equipment over \$5,000 with a useful life three years or more are stated at cost and depreciated on the straight-line method over their estimated useful lives, which range from 3 to 20 years.

Maintenance, repairs, and replacements are generally included as expenses of operations during the year in which the expense is incurred. Cost of replacements, which constitute improvements or extend the life of the respective assets, are recorded as additions to property and equipment.

**Impairment of Long-Lived Assets**

USBC reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Goodwill**

Goodwill is recorded when the cost of acquired businesses exceed the fair value of the identifiable net assets acquired. USBC has elected to amortize goodwill over an estimated useful life of 10 years.

**Net Assets**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. However, donor-restricted contributions whose restrictions are met during the same year are directly reported as increases in net assets without donor restrictions. The net assets of USBC 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Deferred Revenue**

National tournaments consist of tournament subsidies and tournament entry fees. These amounts are recognized as revenue in the period in which the event is held or the related expenses are incurred.

Membership dues are recognized in the fiscal year in which the individual receives the privileges that membership offers.

BowlTV subscriptions are recognized over the course of time which aligns with the individual subscription periods.

Bowlers Journal subscriptions are recognized over the course of time which aligns with the individual subscription periods.

**Advertising**

USBC expenses advertising costs as they are incurred.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a natural 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 supporting services benefited. The expenses that are allocated include salaries, fringe benefits, employee recruitment and training, professional services, supplies, awards, postage and freight, facilities, equipment maintenance and repairs, printing, promotion, sponsorships, and programs, travel, insurance, contributions, and miscellaneous expenses, which are allocated on the basis of estimates of time and effort.

**Income Tax Status**

The Internal Revenue Service (IRS) has issued a determination letter dated October 5, 2004, granting USBC an exemption from federal income tax under IRS Code Section 501(c)(3). However, income received from certain activities is subject to income tax as unrelated business income. No income tax expense has been recorded in the financial statements as cumulative unrelated business net operating loss carryforwards would offset any current tax liability. In addition, a 100% valuation allowance has been provided against the deferred tax asset resulting from the net operating loss carryforwards. Management is not aware of any items that could cause revocation of the tax-exempt status.

**Reclassifications**

Certain items in the 2019 financial statements have been reclassified, with no effect on previously reported net assets and changes in net assets, to conform with the current year presentation.

**Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of income largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 through issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The lease guidance is now effective for USBC's year ending December 31, 2022. Management will be evaluating the effects of the new standard.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

USBC's liquidity goal is to have sufficient assets available to meet operational expenditures for a 12 month period. USBC regularly reviews the liquidity required to meet the ongoing needs for membership, governance, research, and the services needed to support those functions. Various forms of funds are available which include cash, marketable equity securities, and a commercial line of credit (See note 13).

For the purpose of analyzing available resources, USBC reviews assets not covered by donor restrictions or restricted for future use. As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2020	2019
Cash and Cash Equivalents	\$ 9,492,584	\$ 8,154,868
Accounts Receivable, Net	1,018,656	54,841
Due From Related Parties	482,062	243,939
Investments, at Fair Value	22,321,101	29,622,289
	33,314,403	38,075,937
Less Board-Designated Reserve	(13,089,750)	(12,147,509)
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 20,224,653</u>	<u>\$ 25,928,428</u>

USBC's Board Designated Reserve consists of investments internally designated for specific purposes. Although USBC does not intend to spend this board-designated reserve within the next year, these amounts could be made available if necessary.

In addition to financial assets available to meet operational expenditures, USBC operates with a balanced budget to ensure that the entity can meet current and future obligations. USBC believes that future revenues will be sufficient to cover expenditures without materially impacting the entity's liquidity.

**NOTE 3 INVESTMENTS**

Investments consist of the following at December 31:

	2020	2019
Interest-Bearing Cash	\$ 8,944,289	\$ 2,682,110
Money Market Funds	-	3,466,348
Equities	2,409,828	1,524,432
Mutual Funds	10,966,984	13,164,589
Bonds	-	8,784,810
Total Investments	<u>\$ 22,321,101</u>	<u>\$ 29,622,289</u>

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**NOTE 4 FAIR VALUE MEASUREMENTS**

U.S. GAAP establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Interest-bearing cash and money market funds are valued at cost which approximates fair value.

Equities are valued at the closing price reported in the active market in which the individual security is traded.

Mutual funds are valued at quoted market prices, which represent the net asset value of shares held by USBC at year-end.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

Bonds are valued with an institutional bid evaluation or an institutional mid evaluation. A bid evaluation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). A mid evaluation is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models which pricing vendors establish for these purposes. In some cases, there may be manual sources used when primary price vendors do not supply prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USBC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, USBC's assets at fair value as of December 31:

2020				
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 8,944,289	\$ -	\$ 8,944,289
Equities	2,409,828	-	-	2,409,828
Mutual Funds:				
Mid Cap	85,112	-	-	85,112
Large Cap	569,431	-	-	569,431
Fixed Income	6,547,539	-	-	6,547,539
Allocation	3,764,902	-	-	3,764,902
Total Assets at Fair Value	<u>\$ 13,376,812</u>	<u>\$ 8,944,289</u>	<u>\$ -</u>	<u>\$ 22,321,101</u>
2019				
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 2,682,110	\$ -	\$ 2,682,110
Money Market Funds	-	3,466,348	-	3,466,348
Equities	1,524,432	-	-	1,524,432
Mutual Funds:				
Small Cap	76,274	-	-	76,274
Mid Cap	75,607	-	-	75,607
Large Cap	1,123,096	-	-	1,123,096
Fixed Income	7,389,754	-	-	7,389,754
Allocation	4,379,351	-	-	4,379,351
Specialty	120,507	-	-	120,507
Bonds				
Corporate Bonds	-	8,784,810	-	8,784,810
Total Assets at Fair Value	<u>\$ 14,689,021</u>	<u>\$ 14,933,268</u>	<u>\$ -</u>	<u>\$ 29,622,289</u>

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**NOTE 5 INVESTMENT IN INTERNATIONAL BOWLING CAMPUS, LLC**

IBC holds title to the land and building which USBC uses as its national headquarters. No capital distributions were declared or capital contributions required during the years ended December 31, 2020 and 2019. Summarized financial information for IBC for the years ended December 31 is shown below.

	2020	2019
Total Assets	\$ 9,746,301	\$ 10,243,838
Total Liabilities	655,321	365,608
Net Assets - Without Donor Restrictions	<u>\$ 9,090,980</u>	<u>\$ 9,878,230</u>
Decrease in Net Assets	<u>\$ (787,250)</u>	<u>\$ (626,040)</u>

**NOTE 6 GOODWILL**

During the year ended December 31, 2020, USBC purchased the *Bowlers Journal International* magazine, *Pro Shop Operator* magazine and its related business operations, including Bowlers Journal Championships bowling tournament for \$350,000. No identifiable net assets were acquired by USBC through this purchase. Therefore, \$350,000 was attributed to goodwill at the time of purchase. The statement of financial position includes \$338,333 of goodwill, net of \$11,667 of accumulated amortization as of December 31, 2020, and the statement of activities includes \$11,667 of related amortization expense for the year ended December 31, 2020.

**NOTE 7 POSTRETIREMENT BENEFIT OBLIGATION**

USBC provides defined benefit postretirement health and life benefits to certain current and former employees. Covered employees became eligible for these benefits at retirement after meeting minimum age and service requirements.

The postretirement health care plan is unfunded. The following reconciles the change in accumulated benefit obligation and the amounts included in the statements of financial position at December 31:

	2020	2019
Benefit Obligation - Beginning of Year	\$ 1,151,998	\$ 1,073,677
Interest Cost	29,193	47,415
Benefits Paid	(89,442)	(99,607)
Actuarial (Gain) Loss	<u>(158,602)</u>	<u>130,513</u>
Total Accrued Postretirement Benefit Obligation	933,147	1,151,998
Less: Current Portion	<u>(87,000)</u>	<u>(101,000)</u>
Long-Term Accrued Postretirement Benefit Obligation	<u>\$ 846,147</u>	<u>\$ 1,050,998</u>

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**NOTE 7 POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)**

In accordance with U.S. GAAP, all previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a charge to change in net assets at December 31 are as follows:

	2020	2019
Cumulative Changes - Beginning of Year	\$ (108,134)	\$ (261,934)
Actuarial Change and Current Year (Increase)		
Decrease in Net Assets	(123,748)	153,800
Cumulative Changes - End of Year	<u>\$ (231,882)</u>	<u>\$ (108,134)</u>

Net periodic postretirement benefit cost (credit) for the years ended December 31 included the following components:

	2020	2019
Interest Cost	\$ 29,193	\$ 47,415
Amortization of Net Gain from Prior Periods	(34,307)	(23,287)
Periodic Postretirement Benefit Cost (Credit)	<u>\$ (5,114)</u>	<u>\$ 24,128</u>

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 87,000
2022	104,000
2023	81,000
2024	76,000
2025	70,000
2026-2030	267,000

The assumptions used to develop the present value of the accumulated postretirement benefit obligation is as follows:

	2020	2019
Discount Rate	2.50%	3.15%
Health Care Cost Trend Rate for the New Year	5.0 to 7.0%	5.0 to 7.0%

The health care cost trend rate assumption has a significant effect on the amounts reported. The health care cost trend rate used to value the accumulated postretirement benefit obligation is 7.0% for 2020 and 2019, with an ultimate rate of 5.0%.

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**NOTE 8 RETIREMENT PLANS**

USBC participates in a 401(k) retirement plan, along with Bowling Proprietors' Association of America, Inc. (BPAA), International Bowling Museum and Hall of Fame, Inc. (IBM&HF), International Bowling Campus, LLC (IBC), and IBC Youth Bowling, Inc. (IBCYB), available to all employees who have reached the age of 21 and completed one month of service. Employees may contribute to their accounts up to the annual amount allowed by law. USBC matches 100% of the first 3% of employee contributions, plus 50% of the next 2% of the employee's contribution.

Total contribution expense recorded under the plan was \$215,398 and \$225,087 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 9 REVENUE**

The following tables shows USBC's revenue disaggregated according to the timing of the transfer of goods or services:

Revenue Recognized at a Point in Time	2020	2019
Merchandise Sales	44,923	\$ 130,157
Workshops and Seminars	100,912	329,100
Special Events, Booths, and Concessions	1,182	71,003
Tournament Entry and Prize Fees	191,013	13,910,065
Tournament and Conventions Subsidy	209,850	2,883,965
Brackets	185	1,308,698
Advertising	150,415	49,526
Royalty	1,310,347	1,074,858
Total Revenue Recognized at a Point in Time	<u>\$ 2,008,827</u>	<u>\$ 19,757,372</u>
Revenue Recognized over Time		
Membership Dues	\$ 11,499,889	\$ 14,780,970
Special Events, Booths, and Concessions	126,175	143,900
Sponsorship	182,524	718,071
Other	577,301	544,675
BowlTV	150,917	166,562
Bowlers Journal	35,242	-
Total Revenue Recognized over Time	<u>\$ 12,572,048</u>	<u>\$ 16,354,178</u>

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**NOTE 10 SIGNIFICANT ESTIMATES, CONCENTRATIONS, AND CONTINGENCIES**

U.S. GAAP requires disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

**Reserve for Self-Insurance**

Under its self-insurance plan, USBC accrues the estimated expense of health care claims costs based on claims filed subsequent to year-end and an additional amount for incurred but not yet reported claims based on prior experience. Accruals for such costs of \$93,828 and \$97,367 are included in accrued liabilities at December 31, 2020 and 2019, respectively. Claims payments based on actual claims ultimately filed could differ materially from these estimates.

**Concentration of Credit Risk**

USBC maintains the majority of its cash and investments in two commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. Balances in excess of these limits are uninsured.

**NOTE 11 RELATED PARTY TRANSACTIONS**

BPAA is represented by two members on the USBC board of directors. For various shared costs, USBC has a receivable of \$133,328 and \$123,158 from BPAA as of December 31, 2020 and 2019, respectively. BPAA provided \$267,159 and \$682,017 to USBC during the years ended December 31, 2020 and 2019, respectively, for operations.

USBC is represented by one member on Contemporary Bowling Association's (CBA) board of directors and appoints a second. USBC has a payable to CBA of \$12,068 and \$41,783 as of December 31, 2020 and 2019, respectively. USBC provided \$240,000 for operations to CBA for each of the years ended December 31, 2020 and 2019.

USBC administered a scholarship program to local associations known as Scholarship Management and Accounting Reports for Tenpins (SMART) prior to the formation of SMART Bowling Scholarship Funding Corporation. USBC has a service agreement with SMART wherein USBC manages the day-to-day operations of SMART. The service agreement calls for up to \$516,000 of reimbursements to USBC for the cost of services provided. The agreement expired December 31, 2020. Subsequent to December 31, 2020, SMART dissolved its operations, and the service agreement was not renewed (see Note 16). USBC has a receivable from SMART of \$1,264 and \$-0- as of December 31, 2020 and 2019, respectively. USBC received \$516,000 from SMART for services rendered for each of the years ended December 31, 2020 and 2019. USBC also contributed \$54,500 and \$-0- to SMART for bowling scholarships during the years ended December 31, 2020 and 2019, respectively.

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**NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)**

USBC provides certain shared services to IBM&HF. USBC has a payable to IBM&HF of \$1,299 and \$4,106 as of December 31, 2020 and 2019, respectively. USBC contributed \$72,534 and \$81,304 to IBM&HF for the years ended December 31, 2020 and 2019, respectively.

Effective February 1, 2018, USBC provided IBM&HF a \$100,000 loan at 0% interest. Full payment is due February 1, 2023. Imputed interest income is included on the statement of activities in the amount of \$3,929 and \$3,760 for the years ended December 31, 2020 and 2019, respectively. The rate used to calculate the imputed interest on the loan is 4.5%. The outstanding loan is presented on the statement of financial position as a note receivable, net of an unamortized discount of \$8,756 and \$12,685 as of December 31, 2020 and 2019, respectively.

IBCYB is represented by two members of the USBC board of directors. USBC has a receivable from IBCYB of \$4,706 and a payable to IBCYB of \$201,001 as of December 31, 2020 and 2019, respectively. USBC contributed \$16,276 and \$786,081 to IBCYB during the years ended December 31, 2020 and 2019, respectively.

USBC leases its facilities from IBC under a noncancelable operating lease agreement. The lease includes automatic extensions for one-year terms until cancelled by either party. Rent payments under the lease include an annual base rent of \$1 per year and USBC's proportionate share of taxes and operating expenses in accordance with the agreement, which is determined to be the equivalent of market rate rent. Rent payments to IBC totaled \$969,336 and \$908,448 for the years ended December 31, 2020 and 2019, respectively. USBC also provides IBC with the use of various employees at no cost, resulting in an in-kind contribution of \$80,975 for each of the years ended December 31, 2020 and 2019. USBC has a receivable from IBC of \$342,764 and \$120,781 as of December 31, 2020 and 2019, respectively.

**NOTE 12 COMMITMENTS**

USBC has entered into agreements to sponsor various events through 2022. Committed amounts related to these agreements for the future events are approximately \$250,000 at December 31, 2020.

**NOTE 13 LINE OF CREDIT**

USBC has a \$4,000,000 revolving line of credit agreement with a bank. Borrowings under the line of credit bear interest at 3.25% and 4.75% as of December 31, 2020 and 2019, respectively. The line is unsecured and matures on September 3, 2021. No borrowings on the line of credit were outstanding at December 31, 2020 and 2019.

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**NOTE 14 LEASES**

USBC leases office equipment under various operating leases expiring at various dates through 2023.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 105,484
2022	66,418
2023	16,605
Total Minimum Lease Payments	<u>\$ 188,507</u>

**NOTE 15 PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS**

On April 17, 2020, USBC received proceeds in the amount of \$1,693,900 from Frost Bank to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted by the SBA to the lender or, if the USBC fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts are subject to forgiveness based on compliance with program requirements and approval by the SBA. The covered period from April 17, 2020 to October 1, 2020 is the time that the business had to spend their PPP Loan funds.

The PPP Loan was forgiven by the U.S. Small Business Administration (SBA) on December 2, 2020. Therefore, USBC was legally released from the debt and the loan forgiveness has been recognized as a contribution on the statement of activities during the year ended December 31, 2020.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on USBC's financial position.

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**NOTE 16 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 31, 2021, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2020, but prior to March 31, 2021 that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2020.

In January 2021, USBC received proceeds in the amount of \$1,614,700 to fund payroll expenses, rent and mortgage interest, and covered operations expenditures through the Paycheck Protection Program (the "Second PPP Loan"). The Second PPP Loan may be forgiven by the SBA subject to certain performance barriers, as outlined in the loan agreement and CARES Act. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, USBC would be obligated to repay those funds to the SBA in accordance with the loan agreement.

Subsequent to year-end, the COVID-19 pandemic continues to impact USBCs operations. Tournaments and events have been cancelled through March 31, 2021 and will continue to be evaluated as the pandemic continues. The impact is not included in the financial statements as of and for the year ended December 31, 2020.

On January 14, 2021, SMART and USBC entered a Mutual Termination Agreement to terminate the March 23, 2010 Agreement (Initial Agreement) between the parties. On January 15, 2021, the Initial Agreement was terminated, and SMART was subsequently dissolved. All of SMART's assets and liabilities were assumed by USBC. USBC subsequently established the SMART Committee to oversee the SMART operations as a program of USBC.