

**IBC YOUTH BOWLING, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**IBC YOUTH BOWLING, INC.  
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
IBC Youth Bowling, Inc.  
Arlington, Texas

We have audited the accompanying financial statements of IBC Youth Bowling, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, 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 Statement***

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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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  
IBC Youth Bowling, Inc.

***Opinion***

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of IBC Youth Bowling, Inc. as of December 31, 2016 and 2015, 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**

Milwaukee, Wisconsin  
March 30, 2017

**IBC YOUTH BOWLING, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

|   | 2016         | 2015         |
|---|--------------|--------------|
| <b>ASSETS</b>                           |              |              |
| <b>CURRENT ASSETS</b>                   |              |              |
| Cash                                    | \$ 1,961,435 | \$ 1,338,369 |
| Investments                             | 289,527      | 273,088      |
| Accounts Receivable, Net                | 32,180       | 1,000        |
| Due from Related Parties                | 447,362      | 521,653      |
| Inventory                               | 81,916       | 37,702       |
| Prepaid Expenses                        | 23,000       | -            |
|   | \$ 2,835,420 | \$ 2,171,812 |
| Total Assets                            |              |              |
| <b>LIABILITIES AND NET ASSETS</b>       |              |              |
| <b>CURRENT LIABILITIES</b>              |              |              |
| Accounts Payable                        | \$ 8,071     | \$ 28,949    |
| Accrued Expenses and Other Liabilities  | 56,982       | 48,671       |
| Due to Related Parties                  | 714          | 4,802        |
| Deferred Revenue - National Tournaments | 123,955      | 112,692      |
| Deferred Revenue - Membership Dues      | 418,752      | 376,895      |
| Deferred Revenue - Other                | 20,000       | 1,096        |
| Total Current Liabilities               | 628,474      | 573,105      |
| <b>NET ASSETS</b>                       |              |              |
| Unrestricted                            | 2,206,946    | 1,598,707    |
| Total Liabilities and Net Assets        | \$ 2,835,420 | \$ 2,171,812 |

See accompanying Notes to Financial Statements.

**IBC YOUTH BOWLING, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

|                                     | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
| <b>SUPPORT AND REVENUES</b>         |              |              |
| Contributions                       | \$ 1,161,613 | \$ 1,099,992 |
| Membership Dues                     | 883,990      | 926,052      |
| Tournament Revenue                  | 1,257,487    | 1,125,444    |
| Merchandise Sales                   | 246,880      | 179,418      |
| Royalties                           | 157,966      | 101,708      |
| Sponsorships                        | 115,250      | 193,000      |
| Investment Income (Loss), Net       | 16,439       | (11,604)     |
| Miscellaneous                       | 36,280       | 31,872       |
| Total Support and Revenues          | 3,875,905    | 3,645,882    |
| <br><b>EXPENSES</b>                 |              |              |
| Salaries and Benefits               | 786,034      | 742,461      |
| Awards                              | 194,502      | 136,895      |
| Food and Beverage                   | 26,436       | 20,352       |
| Merchandise                         | 122,998      | 124,363      |
| Professional Fees                   | 191,324      | 110,733      |
| Office Supplies                     | 303,867      | 224,742      |
| Travel                              | 403,542      | 373,295      |
| Advertising and Promotion           | 409,879      | 189,595      |
| Lineage                             | 332,293      | 271,040      |
| Scholarship                         | 476,707      | 439,981      |
| Bad Debt Expense                    | 12,247       | 48,000       |
| Miscellaneous                       | 7,837        | 12,420       |
| Total Expenses                      | 3,267,666    | 2,693,877    |
| <br><b>CHANGE IN NET ASSETS</b>     | 608,239      | 952,005      |
| Net Assets - Beginning of Year      | 1,598,707    | 646,702      |
| <br><b>NET ASSETS - END OF YEAR</b> | \$ 2,206,946 | \$ 1,598,707 |

See accompanying Notes to Financial Statements.

**IBC YOUTH BOWLING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

|   | 2016         | 2015         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |              |
| Change in Net Assets  | \$ 608,239   | \$ 952,005   |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |              |              |
| Net Realized and Unrealized (Gains) Losses on Investments                                   | (11,075)     | 16,624       |
| Effects of Changes in Operating Assets and Liabilities:                                     |              |              |
| Accounts Receivable   | (31,180)     | 26,766       |
| Due from Related Parties  | 74,291       | (33,325)     |
| Inventory   | (44,214)     | 73,146       |
| Prepaid Expenses  | (23,000)     | 1,473        |
| Accounts Payable  | (20,878)     | (14,959)     |
| Due to Related Parties  | (4,088)      | 4,802        |
| Accrued Expenses and Other Liabilities  | 8,311        | 5,464        |
| Deferred Revenue  | 72,024       | (65,331)     |
| Net Cash Provided by Operating Activities   | 628,430      | 966,665      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |              |
| Purchase of Investments   | (11,936)     | (75,000)     |
| Proceeds from Sales of Investments  | 6,572        | 69,980       |
| Net Cash Used by Investing Activities   | (5,364)      | (5,020)      |
| <b>NET INCREASE IN CASH</b>   | 623,066      | 961,645      |
| Cash - Beginning of Year  | 1,338,369    | 376,724      |
| <b>CASH - END OF YEAR</b>   | \$ 1,961,435 | \$ 1,338,369 |

See accompanying Notes to Financial Statements.

**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

IBC Youth Bowling, Inc. (IBCYB) is a nonprofit organization whose purpose is to operate exclusively for charitable and educational purposes in the sport of bowling. IBCYB was incorporated on July 28, 2014 in the state of Wisconsin. IBCYB started operating effective October 1, 2014 when the youth programs were spun off from the International Bowling Campus, LLC (IBC). IBCYB's revenues are derived primarily from contributions, membership dues, and tournament entry fees. IBCYB's fiscal year ends on December 31. Significant accounting policies followed by IBCYB are presented below.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**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 3 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 statement of activities.

**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 amounts of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of the accounts receivable. 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 \$12,247 and \$48,000 at December 31, 2016 and 2015, respectively.

**Inventory**

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



**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

**Risks and Uncertainties**

The Company 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 the account balances and the amounts reported in the financial statements.

**Revenue Recognition**

Deferred revenue consists primarily of membership dues and tournament entry fees. These amounts are recognized in the fiscal year in which the individual receives the privileges that membership offers. Tournament and program service revenues are recognized in the year in which the event is held or the related expenses are incurred.

In addition, revenues under certain royalty and sponsorship agreements are being recognized based on the terms of the related contracts. Deferred revenue is recognized monthly over the term of the contract.

**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 unrestricted net assets. The net assets of IBCYB and changes therein are classified and reported as follows:

**Unrestricted Net Assets**

These represent net assets that are not subject to external donor-imposed restrictions.

**Income Tax Status**

The Internal Revenue Service (IRS) has issued a determination letter dated December 31, 2014, granting IBCYB 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.

**Reclassifications**

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Previously reported net assets and changes in net assets are unchanged due to these reclassifications.

**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 INVESTMENTS**

Investments consist of mutual funds at a cost of \$303,147 and \$295,855 and a market value of \$289,527 and \$273,088 at December 31, 2016 and 2015, respectively.

Investment income (loss) for the years ended December 31, 2016 and 2015 are as follows:

|  | 2016      | 2015     |
|--|-----------|----------|
| Interest and Dividends                     | \$ 5,364  | \$ 5,020 |
| Net Realized and Unrealized Gains (Losses) | 11,075    | (16,624) |
| Total Investment Income (Loss)             | \$ 16,439 | (11,604) |

**NOTE 3 FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish 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 that the entity has the ability to access.

*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.

**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

Following is a description of the valuation methodologies used at December 31, 2016 and 2015 for assets measured at fair value.

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

The following table sets forth by level, within the fair value hierarchy, IBCYB's assets at fair value as of December 31, 2016:

|                               | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|-------------------------------|-------------------|----------------|----------------|-------------------|
| Mutual Funds                  |                   |                |                |                   |
| Large Cap Growth              | \$ 29,142         | \$ -           | \$ -           | \$ 29,142         |
| International Large Cap Blend | 27,491            | -              | -              | 27,491            |
| Mid Cap Growth                | 31,983            | -              | -              | 31,983            |
| Fixed Income                  | 200,911           | -              | -              | 200,911           |
| Total                         | <u>\$ 289,527</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 289,527</u> |

The following table sets forth by level, within the fair value hierarchy, IBCYB's assets at fair value as of December 31, 2015:

|                               | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|-------------------------------|-------------------|----------------|----------------|-------------------|
| Mutual Funds                  |                   |                |                |                   |
| Large Cap Growth              | \$ 29,331         | \$ -           | \$ -           | \$ 29,331         |
| International Large Cap Blend | 20,274            | -              | -              | 20,274            |
| Mid Cap Growth                | 30,895            | -              | -              | 30,895            |
| Fixed Income                  | 192,588           | -              | -              | 192,588           |
| Total                         | <u>\$ 273,088</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 273,088</u> |

**NOTE 4 RETIREMENT PLANS**

IBCYB participates in a 401(k) retirement plan (along with United State Bowling Congress, Inc. (USBC), Bowling Proprietors' Association of America, Inc. (BPAA), Contemporary Bowling Association (CBA), International Bowling Museum and Hall of Fame, Inc. (IBM&HF), and International Bowling Campus, LLC (IBC)) 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. IBCYB 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 \$13,053 and \$15,318 for the year ended December 31, 2016 and 2015, respectively.

**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 5 EXPENSES BY FUNCTIONAL CLASSIFICATION**

Expenses by functional classification for the year ended December 31, 2016 and 2015 is as follows:

|  | 2016         | 2015         |
|--|--------------|--------------|
| Program Services:                                      |              |              |
| Membership Services                                    | \$ 280,806   | \$ 261,707   |
| Public Relations, Marketing, and Industry Relationship | 753,680      | 456,604      |
| Tournaments  | 1,881,195    | 1,635,949    |
| Other  | 8,196        | 8,356        |
| Total Program Services                                 | 2,923,877    | 2,362,616    |
| Management and General                                 | 343,789      | 331,261      |
| Total Expenses   | \$ 3,267,666 | \$ 2,693,877 |

**NOTE 6 SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Generally accepted accounting principles require 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, IBCYB 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 \$15,892 and \$8,663 are included in accrued liabilities at December 31, 2016 and 2015, respectively. Claims payments based on actual claims ultimately filed could differ materially from these estimates.

**Concentration of Credit Risk**

IBCYB maintains its cash in one commercial bank. Balances on deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. Balances in excess of these limits are uninsured.

**NOTE 7 RELATED PARTY TRANSACTIONS**

IBCYB has a receivable of \$3,499 and \$189,767 from IBC as of December 31, 2016 and 2015, respectively.

IBCYB has a payable of \$714 and \$0 due to SMART Bowling Scholarship Funding Corporation (SMART) as of December 31, 2016 and 2015, respectively, for funds collected by IBCYB on behalf of SMART.

**IBC YOUTH BOWLING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)**

IBCYB received contributions of \$611,491 and \$579,496 from USBC during the years ended December 31, 2016 and 2015, respectively. IBCYB received contributions of \$549,996 and \$549,996 from BPAA during the years ended December 31, 2016 and 2015, respectively. Additionally, IBCYB has receivables of \$435,156 and \$259,545 from USBC as of December 31, 2016 and 2015, respectively. IBCYB has receivables of \$8,707 and \$72,341 from BPAA as of December 31, 2016 and 2015, respectively. IBCYB has a payable to CBA of \$0 and \$4,802 as of December 31, 2016 and 2015, respectively.

**NOTE 8 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 30, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to March 30, 2017 that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, 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, 2016.