

IBC YOUTH BOWLING, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**IBC YOUTH BOWLING, INC.
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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, 2017 and 2016, 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, 2017 and 2016, 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 28, 2018

**IBC YOUTH BOWLING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,473,490	\$ 1,961,435
Investments	1,617,791	289,527
Accounts Receivable, Net	3,855	32,180
Due from Related Parties	387,901	447,362
Inventory	116,440	81,916
Prepaid Expenses	58,917	23,000
	<u>\$ 3,658,394</u>	<u>\$ 2,835,420</u>
Total Assets		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 62,771	\$ 8,071
Accrued Expenses and Other Liabilities	38,171	56,982
Due to Related Parties	3,376	714
Deferred Revenue - National Tournaments	273,044	123,955
Deferred Revenue - Membership Dues	380,757	418,752
Deferred Revenue - Other	13,600	20,000
Total Current Liabilities	<u>771,719</u>	<u>628,474</u>
NET ASSETS		
Unrestricted	<u>2,886,675</u>	<u>2,206,946</u>
Total Liabilities and Net Assets	<u>\$ 3,658,394</u>	<u>\$ 2,835,420</u>

See accompanying Notes to Financial Statements.

**IBC YOUTH BOWLING, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES		
Contributions	\$ 1,170,740	\$ 1,161,613
Membership Dues	879,221	883,990
Tournament Revenue	1,377,208	1,257,487
Merchandise Sales	100,126	246,880
Royalties	169,689	157,966
Sponsorships	189,900	115,250
Investment Income, Net	28,560	16,439
Miscellaneous	34,409	36,280
Total Support and Revenues	<u>3,949,853</u>	<u>3,875,905</u>
EXPENSES		
Salaries and Benefits	630,836	786,034
Membership	15,966	3,030
Awards	231,687	194,502
Food and Beverage	15,834	26,436
Merchandise	56,237	122,998
Professional Fees	488,540	191,324
Office Supplies	202,914	303,867
Travel	358,455	403,542
Advertising and Promotion	358,779	409,879
Lineage	357,137	332,293
Scholarship	547,427	476,707
Bad Debt Expense	-	12,247
Miscellaneous	6,312	4,807
Total Expenses	<u>3,270,124</u>	<u>3,267,666</u>
CHANGE IN NET ASSETS	679,729	608,239
Net Assets - Beginning of Year	<u>2,206,946</u>	<u>1,598,707</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,886,675</u></u>	<u><u>\$ 2,206,946</u></u>

See accompanying Notes to Financial Statements.

IBC YOUTH BOWLING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 679,729	\$ 608,239
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gains on Investments	(16,775)	(11,075)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	28,325	(31,180)
Due from Related Parties	59,461	74,291
Inventory	(34,524)	(44,214)
Prepaid Expenses	(35,917)	(23,000)
Accounts Payable	54,700	(20,878)
Due to Related Parties	2,662	(4,088)
Accrued Expenses and Other Liabilities	(18,811)	8,311
Deferred Revenue	104,694	72,024
Net Cash Provided by Operating Activities	823,544	628,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,311,489)	(11,936)
Proceeds from Sales of Investments	-	6,572
Net Cash Used by Investing Activities	(1,311,489)	(5,364)
NET INCREASE (DECREASE) IN CASH	(487,945)	623,066
Cash - Beginning of Year	1,961,435	1,338,369
CASH - END OF YEAR	\$ 1,473,490	\$ 1,961,435

See accompanying Notes to Financial Statements.

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 statements 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 \$-0- and \$12,247 at December 31, 2017 and 2016, respectively.

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.

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 2016 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
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual periods beginning after December 15, 2019. Management is evaluating the effect of the amended revenue recognition guidance on the entity's financial statements.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Investments:		
Mutual Funds	\$ 910,616	\$ 289,527
Exchange-Traded Funds	28,245	-
Money Market Funds	65,000	-
Interest-Bearing Cash	613,930	-
Total	<u>\$ 1,617,791</u>	<u>\$ 289,527</u>

Investment income for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 11,785	\$ 5,364
Net Realized and Unrealized Gains	16,775	11,075
Total Investment Income	<u>\$ 28,560</u>	<u>\$ 16,439</u>

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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.

Following is a description of the valuation methodologies used at December 31, 2017 and 2016 for assets measured at fair value.

Interest-Bearing Cash and Money Market Funds: Are valued at cost which approximates fair value.

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

Exchange-Traded Funds: Are valued at the closing price reported on the active market on which the individual securities are traded.

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, IBCYB's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-Bearing Cash	\$ -	\$ 613,930	\$ -	\$ 613,930
Money Market Funds	-	65,000	-	65,000
Mutual Funds:				
Large Cap Growth	116,333	-	-	116,333
Large Cap Blend	41,644	-	-	41,644
International Large Cap Blend	69,698	-	-	69,698
Mid Cap Growth	56,980	-	-	56,980
Small Cap Growth	19,023	-	-	19,023
Fixed Income	606,938	-	-	606,938
Exchange-Traded Funds	28,245	-	-	28,245
Total	<u>\$ 938,861</u>	<u>\$ 678,930</u>	<u>\$ -</u>	<u>\$ 1,617,791</u>

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>

NOTE 4 RETIREMENT PLANS

IBCYB participates in a 401(k) retirement plan (along with United States Bowling Congress, Inc. (USBC), Bowling Proprietors' Association of America, Inc. (BPAA), 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 \$8,847 and \$13,053 for the years ended December 31, 2017 and 2016, respectively.

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 EXPENSES BY FUNCTIONAL CLASSIFICATION

Expenses by functional classification for the year ended December 31, 2017 and 2016 is as follows:

	2017	2016
Program Services:		
Membership Services	\$ 235,052	\$ 280,806
Public Relations, Marketing, and Industry Relationship	806,393	753,680
Tournaments	1,955,990	1,881,195
Other	9,317	8,196
Total Program Services	3,006,752	2,923,877
Management and General	263,372	343,789
Total Expenses	\$ 3,270,124	\$ 3,267,666

NOTE 6 SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America 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 \$10,431 and \$15,892 are included in accrued liabilities at December 31, 2017 and 2016, 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 payable of \$254 and a receivable of \$3,499 from IBC as of December 31, 2017 and 2016, respectively.

IBCYB has a payable of \$3,122 and \$714 due to SMART Bowling Scholarship Funding Corporation (SMART) as of December 31, 2017 and 2016, respectively, for funds collected by IBCYB on behalf of SMART.

IBC YOUTH BOWLING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

IBCYB received contributions of \$620,622 and \$611,491 from USBC during the years ended December 31, 2017 and 2016, respectively. IBCYB received contributions of \$549,996 and \$549,996 from BPAA during the years ended December 31, 2017 and 2016, respectively. Additionally, IBCYB has receivables of \$387,901 and \$435,156 from USBC as of December 31, 2017 and 2016, respectively. IBCYB has receivables of \$-0- and \$8,707 from BPAA as of December 31, 2017 and 2016, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES

On October 2, 2017, IBCYB accepted a proposal of work from a third-party IT consultant to create an internal collegiate ranking software and database. Estimated costs related to this agreement range from \$236,950 and \$284,375, in addition to travel expenses incurred by the third-party consultant during the course of the engagement. This project is scheduled to begin and be completed in 2018.

NOTE 9 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 28, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to March 28, 2018 that provided additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, 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, 2017.