

UNITED STATES BOWLING CONGRESS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**UNITED STATES BOWLING CONGRESS, INC.
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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, 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 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, 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 21, 2017

UNITED STATES BOWLING CONGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 21,051,791	\$ 22,704,878
Accounts Receivable, Net	55,183	78,275
Due from Related Parties	525,498	281,775
Inventory	95,387	104,686
Prepaid Expenses and Other	522,465	161,217
Total Current Assets	22,250,324	23,330,831
INVESTMENTS		
Investments, at Fair Value	11,260,166	7,881,359
Investment in International Bowling Campus, LLC	5,968,434	6,815,503
Total Investments	17,228,600	14,696,862
PROPERTY AND EQUIPMENT		
Furniture and Fixtures	13,669,956	13,551,917
Tournament Equipment	12,309,640	11,628,906
Vehicles	66,965	66,965
Software	1,760,650	1,092,743
Construction in Progress	1,797,971	848,062
Total, at Cost	29,605,182	27,188,593
Less: Accumulated Depreciation	21,521,008	20,524,839
Total Property and Equipment	8,084,174	6,663,754
Total Assets	\$ 47,563,098	\$ 44,691,447

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 1,034,767	\$ 626,094
Due to Related Parties	435,156	259,545
Accrued Liabilities	1,167,163	740,059
Current Portion of Deferred Revenue - Tournament Subsidy	400,000	700,000
Current Portion of Deferred Revenue - National Tournaments	10,036,866	9,619,508
Current Portion of Deferred Revenue - Membership Dues	6,150,208	6,409,950
Total Current Liabilities	<u>19,224,160</u>	<u>18,355,156</u>
LONG-TERM LIABILITIES		
Deferred Revenue - Tournament Subsidy, Less Current Portion Above	667,000	800,000
Post-Retirement Benefit Obligation	1,162,107	1,292,152
Total Long-Term Liabilities	<u>1,829,107</u>	<u>2,092,152</u>
Total Liabilities	21,053,267	20,447,308
NET ASSETS		
Unrestricted Net Assets:		
Designated for PWBA	-	171,651
Designated for Youth Scholarship	-	228,491
Undesignated	26,121,663	23,284,175
Temporarily Restricted	-	171,654
Permanently Restricted	388,168	388,168
Total Net Assets	<u>26,509,831</u>	<u>24,244,139</u>
Total Liabilities and Net Assets	<u>\$ 47,563,098</u>	<u>\$ 44,691,447</u>

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Membership Dues	\$ 13,155,203	\$ -	\$ -	\$ 13,155,203
Merchandise Sales	49,001	-	-	49,001
Workshops and Seminars	345,185	-	-	345,185
Special Events, Booths, and Concessions	648,218	-	-	648,218
Tournament Entry and Prize Fees	12,712,119	-	-	12,712,119
Tournament and Conventions Subsidy	2,866,845	-	-	2,866,845
Brackets	1,202,361	-	-	1,202,361
Advertising	234,727	-	-	234,727
Royalty	1,209,821	-	-	1,209,821
Sponsorship	881,113	-	-	881,113
Contributions	106,273	-	-	106,273
Interest and Dividends, net of fees	182,292	-	-	182,292
Realized and Unrealized Gains on Investments	202,138	-	-	202,138
Other	658,933	-	-	658,933
Released from Restriction	171,654	(171,654)	-	-
Total Revenues	<u>34,625,883</u>	<u>(171,654)</u>	<u>-</u>	<u>34,454,229</u>
EXPENSES				
Salaries	6,604,578	-	-	6,604,578
Fringe Benefits	1,275,170	-	-	1,275,170
Employee Recruitment and Training	161,302	-	-	161,302
Temporary Agency Services	2,426,078	-	-	2,426,078
Professional Services	3,125,306	-	-	3,125,306
Supplies	144,397	-	-	144,397
Resale Merchandise	65,479	-	-	65,479
Prizes	8,136,665	-	-	8,136,665
Awards	729,052	-	-	729,052
Telephone	82,083	-	-	82,083
Postage and Freight	745,978	-	-	745,978
Facilities	864,438	-	-	864,438
Equipment Maintenance and Repairs	516,136	-	-	516,136
Depreciation	996,169	-	-	996,169
Printing	310,754	-	-	310,754
Promotion, Sponsorships, and Programs	1,505,002	-	-	1,505,002
Travel	1,076,031	-	-	1,076,031
Insurance	272,168	-	-	272,168
Contributions	832,331	-	-	832,331
Lineage and Construction	1,642,831	-	-	1,642,831
Miscellaneous	377,027	-	-	377,027
Total Expenses	<u>31,888,975</u>	<u>-</u>	<u>-</u>	<u>31,888,975</u>
CHANGE IN NET ASSETS FROM OPERATIONS	2,736,908	(171,654)	-	2,565,254
EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC	(237,069)	-	-	(237,069)
CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE	(62,493)	-	-	(62,493)
CHANGE IN NET ASSETS	2,437,346	(171,654)	-	2,265,692
Net Assets - Beginning of Year	<u>23,684,317</u>	<u>171,654</u>	<u>388,168</u>	<u>24,244,139</u>
NET ASSETS - END OF YEAR	<u>\$ 26,121,663</u>	<u>\$ -</u>	<u>\$ 388,168</u>	<u>\$ 26,509,831</u>

See accompanying Notes to Financial Statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Membership Dues	\$ 14,047,653	\$ -	\$ -	\$ 14,047,653
Merchandise Sales	46,595	-	-	46,595
Workshops and Seminars	251,323	-	-	251,323
Special Events, Booths, and Concessions	563,376	-	-	563,376
Tournament Entry and Prize Fees	10,304,429	-	-	10,304,429
Tournament and Conventions Subsidy	3,129,647	-	-	3,129,647
Brackets	1,230,536	-	-	1,230,536
Advertising	185,866	-	-	185,866
Royalty	986,760	-	-	986,760
Sponsorship	1,171,397	-	-	1,171,397
Contributions	67,425	171,654	-	239,079
Interest and Dividends, net of fees	230,017	-	-	230,017
Realized and Unrealized Losses on Investments	(313,710)	-	-	(313,710)
Other	515,390	-	-	515,390
Total Revenues	<u>32,416,704</u>	<u>171,654</u>	<u>-</u>	<u>32,588,358</u>
EXPENSES				
Salaries	6,169,643	-	-	6,169,643
Fringe Benefits	991,617	-	-	991,617
Employee Recruitment and Training	80,037	-	-	80,037
Temporary Agency Services	2,450,561	-	-	2,450,561
Professional Services	2,601,141	-	-	2,601,141
Supplies	100,426	-	-	100,426
Resale Merchandise	39,676	-	-	39,676
Prizes	6,752,397	-	-	6,752,397
Awards	760,721	-	-	760,721
Telephone	64,702	-	-	64,702
Postage and Freight	707,997	-	-	707,997
Facilities	810,639	-	-	810,639
Equipment Maintenance and Repairs	721,455	-	-	721,455
Depreciation	1,192,155	-	-	1,192,155
Printing	313,314	-	-	313,314
Promotion, Sponsorships, and Programs	1,344,641	-	-	1,344,641
Travel	1,030,876	-	-	1,030,876
Insurance	260,110	-	-	260,110
Contributions	642,426	-	-	642,426
Lineage and Construction	2,040,166	-	-	2,040,166
Miscellaneous	275,268	-	-	275,268
Total Expenses	<u>29,349,968</u>	<u>-</u>	<u>-</u>	<u>29,349,968</u>
CHANGE IN NET ASSETS FROM OPERATIONS	3,066,736	171,654	-	3,238,390
EQUITY IN NET LOSS OF NEW ERA BOWLING, LL	(254,670)	-	-	(254,670)
CHANGE IN POST-RETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE	<u>(141,408)</u>	<u>-</u>	<u>-</u>	<u>(141,408)</u>
CHANGE IN NET ASSETS	2,670,658	171,654	-	2,842,312
Net Assets - Beginning of Year	<u>21,013,659</u>	<u>-</u>	<u>388,168</u>	<u>21,401,827</u>
NET ASSETS - END OF YEAR	<u>\$ 23,684,317</u>	<u>\$ 171,654</u>	<u>\$ 388,168</u>	<u>\$ 24,244,139</u>

See accompanying Notes to Financial Statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,265,692	\$ 2,842,312
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	996,169	1,192,155
Provision for Bad Debts	32,079	3,175
Decrease in Post-Retirement Benefit Obligation	(130,045)	(22,413)
Net Realized and Unrealized (Gains)/Losses on Investments	(202,138)	313,710
Equity in Net Loss of International Bowling Campus, LLC	237,069	254,670
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(8,987)	36,188
Due from Related Parties	(243,723)	71,501
Inventory	9,299	(48,352)
Prepaid Expenses and Other	(361,248)	670,055
Accounts Payable	408,673	(162,764)
Due to Related Parties	175,611	144,635
Accrued Liabilities	427,104	(183,100)
Deferred Revenue	(275,384)	132,128
Net Cash Provided by Operating Activities	3,330,171	5,243,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	1,513,441	10,456,818
Purchases of Investments	(4,690,110)	(10,644,682)
Distribution from International Bowling Campus, LLC	610,000	-
Purchases of Property and Equipment	(2,416,589)	(1,343,071)
Net Cash Used by Investing Activities	(4,983,258)	(1,530,935)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,653,087)	3,712,965
Cash and Cash Equivalents - Beginning of Year	22,704,878	18,991,913
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 21,051,791	\$ 22,704,878

See accompanying Notes to Financial Statements.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 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, 2016 and 2015. 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 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. In 2016, the allowance for doubtful accounts is based on a calculated percentage of sales. In 2015, the allowance for doubtful accounts was based on management's assessment of the collectibility of specific accounts and the aging of the accounts receivable. 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 \$39,057 and \$7,526 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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Investment in International Bowling Campus, LLC

USBC owns a 50% interest in International Bowling Campus, LLC (IBC), formerly known as New Era Bowling, LLC. 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 \$1,000 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 30 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, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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.

Advertising

USBC expenses advertising costs as they are incurred.

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 USBC 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.

Temporarily Restricted Net Assets

These represent net assets that are subject to Bowling Proprietors' Association of America, Inc.'s donor-imposed stipulations requiring that the assets be expended for the Professional Women's Bowling Association.

Permanently Restricted Net Assets

These represent net assets that are subject to donor-imposed stipulations requiring that the principal be invested in perpetuity and that only income be expended for Scholarship Management and Accounting Reports for Tenpins (SMART) scholarship awards.

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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Interest-Bearing Cash	\$ 3,479,745	\$ 1,215,676
Equities	1,051,089	625,336
Bonds	70,043	69,873
Mutual Funds	6,187,975	5,543,471
Separately Managed Account	471,314	427,003
Total Investments	<u>\$ 11,260,166</u>	<u>\$ 7,881,359</u>

Investment income (loss) for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 202,169	\$ 250,047
Net Realized and Unrealized Gains (Losses)	<u>202,138</u>	<u>(313,710)</u>
Total Investment Income (Loss)	404,307	(63,663)
Less: Investment Fees	<u>(19,877)</u>	<u>(20,030)</u>
Net Investment Income (Loss)	<u>\$ 384,430</u>	<u>\$ (83,693)</u>

NOTE 3 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles 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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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 is 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.

Bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Separately managed account is valued based on the net asset value of the units of the fund held by USBC, based on the fair value of the underlying investments of the fund. The fund does not have a finite life, unfunded commitments, or restrictions on redemptions. The investment strategy of the fund is to generate capital appreciation by investing, trading, and otherwise dealing in domestic small capitalization equity securities of high-growth companies. The fund generally invests in U.S. companies with market capitalizations similar to companies included in the Russell 2000 Growth Index or other small cap indices at the time of purchase. However, a material portion of the portfolio of the fund may be invested in companies with market capitalizations that preclude their inclusion in such indices.

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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 3,479,745	\$ -	\$ 3,479,745
Equities	1,051,089	-	-	1,051,089
Mutual Funds:				
Small Cap	159,148	-	-	159,148
Large Cap	1,096,658	-	-	1,096,658
Fixed Income	3,663,939	-	-	3,663,939
Allocation	1,101,554	-	-	1,101,554
Specialty	166,676	-	-	166,676
Separately Managed Account	-	471,314	-	471,314
Bonds:				
Corporate Bonds	-	70,043	-	70,043
Total Assets at Fair Value	<u>\$ 7,239,064</u>	<u>\$ 4,021,102</u>	<u>\$ -</u>	<u>\$ 11,260,166</u>

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

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 1,215,676	\$ -	\$ 1,215,676
Equities	625,336	-	-	625,336
Mutual Funds:				
Small Cap	285,014	-	-	285,014
Mid Cap	615,861	-	-	615,861
Large Cap	1,351,137	-	-	1,351,137
Fixed Income	3,291,459	-	-	3,291,459
Separately Managed Account	-	427,003	-	427,003
Bonds:				
Corporate Bonds	-	69,873	-	69,873
Total Assets at Fair Value	<u>\$ 6,168,807</u>	<u>\$ 1,712,552</u>	<u>\$ -</u>	<u>\$ 7,881,359</u>

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 INVESTMENT IN INTERNATIONAL BOWLING CAMPUS, LLC

IBC holds title to the land and building which USBC uses as its national headquarters. IBC distributed \$610,000 to USBC during the year ended December 31, 2016. Summarized financial information for IBC for the years ended December 31 is shown below.

	2016	2015
Total Assets	\$ 11,914,889	\$ 13,628,598
Total Liabilities	587,224	606,795
Net Assets - Unrestricted	<u>\$ 11,327,665</u>	<u>\$ 13,021,803</u>
Decrease in Net Assets	<u>\$ (474,138)</u>	<u>\$ (509,340)</u>
Capital Distributions	<u>\$ 1,220,000</u>	<u>\$ -</u>

NOTE 5 POST-RETIREMENT BENEFIT OBLIGATION

USBC provides defined benefit post-retirement health benefits to certain current and former employees. Covered employees became eligible for these benefits at retirement after meeting minimum age and service requirements. USBC's unfunded cost that existed at August 1, 1995, is being accrued primarily in a straight-line manner that results in full accrual in 20 years.

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

	2016	2015
Benefit Obligation - Beginning of Year	\$ 1,292,152	\$ 1,314,565
Service Cost	1,979	1,805
Interest Cost	50,935	54,950
Benefits Pay	(110,906)	(103,434)
Actuarial Loss	(72,053)	24,266
Accrued Post-Retirement Benefit Obligation	<u>\$ 1,162,107</u>	<u>\$ 1,292,152</u>

In accordance with generally accepted accounting principles, all previously unrecognized actuarial gains or losses are reflected in the statement 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:

	2016	2015
Cumulative Changes - Beginning of Year	\$ (434,931)	\$ (576,339)
Prior Service Cost	89,722	89,722
Actuarial Change	(27,229)	51,686
Current Year Decrease in Net Assets	62,493	141,408
Cumulative Changes - End of Year	<u>\$ (372,438)</u>	<u>\$ (434,931)</u>

UNITED STATES BOWLING CONGRESS, INC.
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NOTE 5 POST-RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Net periodic post-retirement benefit expense (credit) for the years ended December 31 included the following components:

	2016	2015
Service Cost	\$ 1,979	\$ 1,805
Interest Cost	50,935	54,950
Amortization of Net Gain from Prior Periods	(43,181)	(29,610)
Amortization of Unrecognized Prior Service Cost	(89,722)	(89,722)
Periodic Post-Retirement Benefit Credit	\$ (79,989)	\$ (62,577)

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

Year Ending December 31,	Amount
2017	\$ 114,000
2018	97,000
2019	97,000
2020	95,000
2021	93,000
2022-2026	436,000

The assumptions used to develop the net post-retirement benefit expense and the present value of the benefit obligation is as follows:

	2016	2015
Discount Rate	4.15%	4.30%
Health Care Cost Trend Rate for the New Year	6.60%	6.60%

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 assumed to decrease by approximately 1.20% over the next three years to an ultimate rate of 5.40%.

NOTE 6 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 \$176,234 and \$161,666 for the year ended December 31, 2016 and 2015, respectively.

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NOTE 7 EXPENSES BY FUNCTIONAL CLASSIFICATION

Expenses by functional classification for the year ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Program Services:		
Membership Services	\$ 3,036,069	\$ 2,908,640
Public Relations, Marketing, and Industry Relationship	1,649,260	1,878,254
Management Information Systems	3,358,153	2,501,737
Equipment Specifications	508,358	436,426
Tournaments	16,600,893	14,822,487
Other	1,976,478	2,235,851
Total Program Services	<u>27,129,211</u>	<u>24,783,395</u>
Management and General	4,756,764	4,566,573
Total	<u>\$ 31,885,975</u>	<u>\$ 29,349,968</u>

NOTE 8 SIGNIFICANT ESTIMATES, CONCENTRATIONS, AND CONTINGENCIES

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, 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 \$121,541 and \$58,642 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

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 9 RELATED PARTY TRANSACTIONS

BPAA is represented by two members on the USBC board of directors. For various shared costs, USBC has a receivable of \$152,532 and \$111,920 from BPAA as of December 31, 2016 and 2015, respectively. BPAA contributed \$292,546 and \$250,000 to USBC during the years ended December 31, 2016 and 2015.

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NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

USBC is represented by two members on CBA's board of directors and appoints a third. USBC has a receivable from CBA of \$17,955 and \$7,390 as of December 31, 2016 and 2015, respectively. USBC provided \$240,000 for operations to CBA for the years ended December 31, 2016 and 2015.

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 is represented on SMART's board of directors and continues to provide administrative services for the operation of the SMART program and certain shared services. USBC has a receivable from SMART of \$6,311 and \$0 as of December 31, 2016 and 2015, respectively. USBC received \$400,000 and \$352,027 from SMART for services rendered for the years ended December 31, 2016 and 2015, respectively.

USBC provides certain shared services to IBM&HF. USBC has a receivable from IBM&HF for these services of \$19,688 and \$23,297 as of December 31, 2016 and 2015, respectively. USBC contributed \$63,996 and \$51,891 to IBM&HF for the years ended December 31, 2016 and 2015, respectively.

IBCYB is represented by two members of the USBC board of directors. USBC contributed \$611,491 and \$579,496 to IBCYB during the years ended December 31, 2016 and 2015, respectively. USBC has a payable to IBCYB of \$435,156 and \$259,545 as of December 31, 2016 and 2015, respectively. USBC had an outstanding check written to IBCYB for \$45,833 as of December 31, 2015.

USBC leases its facilities from IBC under a noncancellable 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. Total rent payments to IBC totaled \$799,872 for both years ended December 31, 2016 and 2015, respectively. USBC has a receivable from IBC of \$329,012 and \$139,168 as of December 31, 2016 and 2015, respectively.

Effective January 1, 2015, International Training and Research Center (ITRC) was transferred from IBC to USBC. ITRC cash, accounts receivable, inventory and accrued liabilities are now included as a program of USBC. Net liabilities of \$30,486 were transferred to USBC from IBC.

NOTE 10 LINE OF CREDIT

USBC and BPAA have a \$4,000,000 revolving joint line of credit agreement with a bank. Borrowings under the line of credit bear interest at 3.75% and 3.50%, respectively, as of December 31, 2016 and 2015. The line is unsecured. No borrowings on the line of credit were outstanding at December 31, 2016 and 2015.

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NOTE 11 RECLASSIFICATIONS

Certain items in the 2015 financial statements have been reclassified, with no effect on previously reported changes in net assets, to conform with the current year presentation.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 21, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to March 21, 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.