

**UNITED STATES BOWLING CONGRESS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**UNITED STATES BOWLING CONGRESS, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>5</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>10</b>



## 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, 2018 and 2017, 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, 2018 and 2017, 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 18, 2019

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 23,290,346	\$ 20,600,166
Accounts Receivable, Net	39,951	40,458
Due from Related Parties	196,249	94,402
Inventory	118,887	97,807
Prepaid Expenses and Other	379,559	803,506
Total Current Assets	24,024,992	21,636,339
<b>INVESTMENTS</b>		
Investments, at Fair Value	11,385,112	11,626,456
Investment in International Bowling Campus, LLC	5,556,736	5,770,772
Total Investments	16,941,848	17,397,228
<b>NOTE RECEIVABLE</b>	83,555	-
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and Fixtures	13,788,495	13,788,495
Tournament Equipment	13,449,855	13,147,366
Vehicles	66,965	66,965
Software	4,169,246	3,932,855
Construction in Progress	-	16,240
Total, at Cost	31,474,561	30,951,921
Less: Accumulated Depreciation	24,960,977	23,241,607
Total Property and Equipment	6,513,584	7,710,314
Total Assets	\$ 47,563,979	\$ 46,743,881

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2018 AND 2017**

<b>LIABILITIES AND NET ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 573,394	\$ 929,225
Due to Related Parties	286,493	408,246
Accrued Liabilities	1,641,729	1,533,816
Current Portion of Deferred Revenue - Tournament Subsidy	200,000	834,000
Current Portion of Deferred Revenue - National Tournaments	9,863,462	8,017,289
Current Portion of Deferred Revenue - Membership Dues	6,979,633	7,331,284
Total Current Liabilities	<u>19,544,711</u>	<u>19,053,860</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue - Tournament Subsidy, Less Current Portion Above	185,000	10,000
Postretirement Benefit Obligation	1,073,677	1,173,511
Total Long-Term Liabilities	<u>1,258,677</u>	<u>1,183,511</u>
Total Liabilities	20,803,388	20,237,371
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	15,630,722	26,118,342
Designated for Operating Reserve	10,741,701	-
Total Net Assets Without Donor Restrictions	<u>26,372,423</u>	<u>26,118,342</u>
With Donor Restrictions	388,168	388,168
Total Net Assets	<u>26,760,591</u>	<u>26,506,510</u>
Total Liabilities and Net Assets	<u>\$ 47,563,979</u>	<u>\$ 46,743,881</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Membership Dues	\$ 15,300,060	\$ -	\$ 15,300,060
Merchandise Sales	99,010	-	99,010
Workshops and Seminars	349,751	-	349,751
Special Events, Booths, and Concessions	256,986	-	256,986
Tournament Entry and Prize Fees	11,193,070	-	11,193,070
Tournament and Conventions Subsidy	3,638,953	-	3,638,953
Brackets	1,089,884	-	1,089,884
Advertising	45,875	-	45,875
Royalty	1,100,777	-	1,100,777
Sponsorship	874,808	-	874,808
Contributions	78,166	-	78,166
Net Investment Loss	(232,620)	-	(232,620)
Other	542,026	-	542,026
Total Revenues	34,336,746	-	34,336,746
<b>EXPENSES</b>			
Salaries	7,170,310	-	7,170,310
Fringe Benefits	1,702,402	-	1,702,402
Employee Recruitment and Training	118,154	-	118,154
Temporary Agency Services	2,969,762	-	2,969,762
Professional Services	3,507,945	-	3,507,945
Supplies	160,664	-	160,664
Resale Merchandise	109,974	-	109,974
Prizes	7,099,500	-	7,099,500
Awards	678,064	-	678,064
Telephone	65,798	-	65,798
Postage and Freight	780,008	-	780,008
Facilities	849,106	-	849,106
Equipment Maintenance and Repairs	1,056,089	-	1,056,089
Depreciation	1,719,370	-	1,719,370
Printing	317,479	-	317,479
Promotion, Sponsorships, and Programs	986,566	-	986,566
Travel	1,655,357	-	1,655,357
Insurance	272,711	-	272,711
Contributions	614,153	-	614,153
Lineage and Construction	1,702,753	-	1,702,753
Miscellaneous	359,970	-	359,970
Total Expenses	33,896,135	-	33,896,135
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	440,611	-	440,611
<b>EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC</b>	(214,036)	-	(214,036)
<b>CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE</b>	27,506	-	27,506
<b>CHANGE IN NET ASSETS</b>	254,081	-	254,081
Net Assets - Beginning of Year	26,118,342	388,168	26,506,510
<b>NET ASSETS - END OF YEAR</b>	\$ 26,372,423	\$ 388,168	\$ 26,760,591

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Membership Dues	\$ 13,970,973	\$ -	\$ 13,970,973
Merchandise Sales	96,987	-	96,987
Workshops and Seminars	312,837	-	312,837
Special Events, Booths, and Concessions	313,723	-	313,723
Tournament Entry and Prize Fees	13,945,246	-	13,945,246
Tournament and Conventions Subsidy	2,378,050	-	2,378,050
Brackets	1,270,490	-	1,270,490
Advertising	56,590	-	56,590
Royalty	1,256,452	-	1,256,452
Sponsorship	878,110	-	878,110
Contributions	97,045	-	97,045
Net Investment Return	913,533	-	913,533
Other	608,609	-	608,609
Total Revenues	36,098,645	-	36,098,645
<b>EXPENSES</b>			
Salaries	6,627,194	-	6,627,194
Fringe Benefits	1,378,812	-	1,378,812
Employee Recruitment and Training	136,126	-	136,126
Temporary Agency Services	3,024,765	-	3,024,765
Professional Services	4,188,650	-	4,188,650
Supplies	149,037	-	149,037
Resale Merchandise	96,372	-	96,372
Prizes	8,538,047	-	8,538,047
Awards	788,781	-	788,781
Telephone	31,345	-	31,345
Postage and Freight	921,973	-	921,973
Facilities	964,578	-	964,578
Equipment Maintenance and Repairs	962,278	-	962,278
Depreciation	1,720,599	-	1,720,599
Printing	345,355	-	345,355
Promotion, Sponsorships, and Programs	945,505	-	945,505
Travel	1,567,817	-	1,567,817
Insurance	398,900	-	398,900
Contributions	875,962	-	875,962
Lineage and Construction	1,943,449	-	1,943,449
Miscellaneous	187,512	-	187,512
Total Expenses	35,793,057	-	35,793,057
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	305,588	-	305,588
<b>EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC</b>	(170,899)	-	(170,899)
<b>CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE</b>	(138,010)	-	(138,010)
<b>CHANGE IN NET ASSETS</b>	(3,321)	-	(3,321)
Net Assets - Beginning of Year	26,121,663	388,168	26,509,831
<b>NET ASSETS - END OF YEAR</b>	\$ 26,118,342	\$ 388,168	\$ 26,506,510

See accompanying Notes to Financial Statements.



**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Total
Salaries	\$ 5,890,357	\$ 1,279,953	\$ 7,170,310
Fringe Benefits	1,448,238	254,164	1,702,402
Employee Recruitment and Training	96,848	21,306	118,154
Temporary Agency Services	2,969,762	-	2,969,762
Professional Services	2,499,320	1,008,625	3,507,945
Supplies	150,288	10,376	160,664
Resale Merchandise	109,974	-	109,974
Prizes	7,099,500	-	7,099,500
Awards	660,038	18,026	678,064
Telephone	65,798	-	65,798
Postage and Freight	772,977	7,031	780,008
Facilities	16,469	832,637	849,106
Equipment Maintenance and Repairs	1,023,119	32,970	1,056,089
Depreciation	-	1,719,370	1,719,370
Printing	310,204	7,275	317,479
Promotion, Sponsorships, and Programs	841,978	144,588	986,566
Travel	1,293,229	362,128	1,655,357
Insurance	65,095	207,616	272,711
Contributions	420,793	193,360	614,153
Lineage and Construction	1,702,753	-	1,702,753
Miscellaneous	348,777	11,193	359,970
Total Expenses by Function	<u>\$ 27,785,517</u>	<u>\$ 6,110,618</u>	<u>\$ 33,896,135</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Total
Salaries	\$ 5,587,925	\$ 1,039,269	\$ 6,627,194
Fringe Benefits	1,263,020	115,792	1,378,812
Employee Recruitment and Training	118,190	17,936	136,126
Temporary Agency Services	3,024,765	-	3,024,765
Professional Services	3,099,554	1,089,096	4,188,650
Supplies	144,237	4,800	149,037
Resale Merchandise	96,372	-	96,372
Prizes	8,538,047	-	8,538,047
Awards	776,611	12,170	788,781
Telephone	31,345	-	31,345
Postage and Freight	913,185	8,788	921,973
Facilities	46,093	918,485	964,578
Equipment Maintenance and Repairs	880,504	81,774	962,278
Depreciation	-	1,720,599	1,720,599
Printing	338,908	6,447	345,355
Promotion, Sponsorships, and Programs	919,898	25,607	945,505
Travel	1,211,190	356,627	1,567,817
Insurance	201,876	197,024	398,900
Contributions	703,910	172,052	875,962
Lineage and Construction	1,943,449	-	1,943,449
Miscellaneous	187,512	-	187,512
Total Expenses by Function	<u>\$ 30,026,591</u>	<u>\$ 5,766,466</u>	<u>\$ 35,793,057</u>

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 254,081	\$ (3,321)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,719,370	1,720,599
Provision for Bad Debts	(12,000)	2,846
Imputed Interest Income	(3,310)	-
Discount on Issuance of Note Receivable	19,755	-
Increase (Decrease) in Post-Retirement Benefit Obligation	(99,834)	11,404
Net Realized and Unrealized Losses (Gains) on Investments	644,988	(620,448)
Equity in Net Loss of International Bowling Campus, LLC	214,036	170,899
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	12,507	11,879
Due from Related Parties	(101,847)	431,096
Inventory	(21,080)	(2,420)
Prepaid Expenses and Other	423,947	(281,041)
Accounts Payable	(355,831)	(105,542)
Due to Related Parties	(121,753)	(26,910)
Accrued Liabilities	107,913	(36,343)
Deferred Revenue	1,035,522	(1,061,501)
Net Cash Provided by Operating Activities	3,716,464	211,197
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of Investments	5,264,210	6,201,672
Purchases of Investments	(5,667,854)	(5,947,514)
Issuance of Note Receivable	(100,000)	-
Distribution from International Bowling Campus, LLC	-	26,763
Purchases of Property and Equipment	(522,640)	(1,346,739)
Net Cash Used by Investing Activities	(1,026,284)	(1,065,818)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,690,180	(854,621)
Cash and Cash Equivalents - Beginning of Year	20,600,166	21,454,787
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 23,290,346	\$ 20,600,166

See accompanying Notes to Financial Statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017. 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. 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- and \$12,000 at December 31, 2018 and 2017, 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.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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 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.

**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 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, 2018 AND 2017**

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

**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:

Without Donor Restrictions

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

With Donor Restrictions

These represent net assets that are subject to donor-imposed stipulations requiring that they be expended for Scholarship Management and Accounting Reports for Tenpins (SMART) scholarship awards.

**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.

**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.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**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 2017 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**

**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.

**Leases** – In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**Adoption of New Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, resulting in no changes to net assets with donor restrictions and net assets without donor restrictions.

**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 10).

For the purpose of analyzing available resources, USBC reviews assets not covered by donor restrictions or restricted for future use. As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$ 23,290,346
Accounts Receivable, Net	39,951
Due From Related Parties	196,249
Investments Without Donor Restrictions	<u>255,243</u>
Total Available Assets	<u><u>\$ 23,545,589</u></u>

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.



**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 3 INVESTMENTS**

Investments consist of the following at December 31:

	2018	2017
Interest-Bearing Cash	\$ 194,652	\$ 329,811
Money Market Funds	3,347,881	-
Equities	1,345,988	1,261,194
Mutual Funds	6,496,591	10,035,451
Total Investments	\$ 11,385,112	\$ 11,626,456

**NOTE 4 FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America 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.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

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.

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, 2018:

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 194,652	\$ -	\$ 194,652
Money Market Funds	-	3,347,881	-	3,347,881
Equities	1,345,988	-	-	1,345,988
Mutual Funds:				
Small Cap	78,604	-	-	78,604
Large Cap	779,418	-	-	779,418
Fixed Income	2,839,431	-	-	2,839,431
Allocation	2,642,142	-	-	2,642,142
Specialty	156,996	-	-	156,996
Total Assets at Fair Value	<u>\$ 7,842,579</u>	<u>\$ 3,542,533</u>	<u>\$ -</u>	<u>\$ 11,385,112</u>

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

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 329,811	\$ -	\$ 329,811
Equities	1,261,194	-	-	1,261,194
Mutual Funds:				
Small Cap	139,308	-	-	139,308
Large Cap	1,146,313	-	-	1,146,313
Fixed Income	6,103,017	-	-	6,103,017
Allocation	2,240,458	-	-	2,240,458
Specialty	406,355	-	-	406,355
Total Assets at Fair Value	<u>\$ 11,296,645</u>	<u>\$ 329,811</u>	<u>\$ -</u>	<u>\$ 11,626,456</u>

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

IBC holds title to the land and building which USBC uses as its national headquarters. IBC distributed \$-0- and \$26,763 to USBC during the years ended December 31, 2018 and 2017, respectively. Summarized financial information for IBC for the years ended December 31 is shown below.

	<u>2018</u>	<u>2017</u>
Total Assets	\$ 10,772,752	\$ 11,234,089
Total Liabilities	268,482	301,747
Net Assets - Without Donor Restrictions	<u>\$ 10,504,270</u>	<u>\$ 10,932,342</u>
Decrease in Net Assets	<u>\$ (428,072)</u>	<u>\$ (341,797)</u>
Capital Distributions	<u>\$ -</u>	<u>\$ 53,526</u>

**NOTE 6 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. USBC's unfunded cost that existed at August 1, 1995, was being accrued primarily in a straight-line manner that results in full accrual in 20 years.

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:

	<u>2018</u>	<u>2017</u>
Benefit Obligation - Beginning of Year	\$ 1,173,511	\$ 1,162,107
Interest Cost	44,510	49,227
Benefits Pay	(99,845)	(117,459)
Actuarial Loss (Gain)	(44,499)	79,636
Accrued Postretirement Benefit Obligation	<u>\$ 1,073,677</u>	<u>\$ 1,173,511</u>

In accordance with accounting principles generally accepted in the United States of America, 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:

	<u>2018</u>	<u>2017</u>
Cumulative Changes - Beginning of Year	\$ (234,428)	\$ (372,438)
Prior Service Cost	-	29,906
Actuarial Change	(27,506)	108,104
Current Year Decrease in Net Assets	(27,506)	138,010
Cumulative Changes - End of Year	<u>\$ (261,934)</u>	<u>\$ (234,428)</u>

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 6 POSTRETIREMENT BENEFIT OBLIGATION (CONTINUED)**

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

	<u>2018</u>	<u>2017</u>
Interest Cost	\$ 44,510	\$ 49,227
Amortization of Net Gain from Prior Periods	(16,993)	(28,468)
Amortization of Unrecognized Prior Service Cost	-	(29,906)
Periodic Postretirement Benefit Cost (Credit)	<u>\$ 27,517</u>	<u>\$ (9,147)</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>
2019	\$ 101,000
2020	119,000
2021	100,000
2022	98,000
2023	94,000
2024-2028	398,000

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

	<u>2018</u>	<u>2017</u>
Discount Rate	4.45%	3.80%
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 6.60% and assumed to gradually decrease until it reaches the ultimate healthcare cost trend rate of 5.00% in 2023.

**NOTE 7 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 \$213,392 and \$197,013 for the years ended December 31, 2018 and 2017, respectively.

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 8 SIGNIFICANT ESTIMATES, CONCENTRATIONS, AND CONTINGENCIES**

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, 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 \$100,006 and \$71,230 are included in accrued liabilities at December 31, 2018 and 2017, 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 \$161,570 and \$71,367 from BPAA as of December 31, 2018 and 2017, respectively. BPAA contributed \$526,119 and \$281,942 to USBC during the years ended December 31, 2018 and 2017, respectively.

USBC is represented by two members on Contemporary Bowling Association's (CBA) board of directors and appoints a third. USBC has a payable to CBA of \$25,053 and \$19,318 as of December 31, 2018 and 2017, respectively. USBC provided \$240,000 for operations to CBA for each of the years ended December 31, 2018 and 2017.

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 \$14,512 and \$0 as of December 31, 2018 and 2017, respectively. USBC received \$475,000 from SMART for services rendered for each of the years ended December 31, 2018 and 2017.

USBC provides certain shared services to IBM&HF. USBC has a receivable from IBM&HF for these services of \$4,596 and \$11,094 as of December 31, 2018 and 2017, respectively. USBC contributed \$73,624 and \$69,204 to IBM&HF for the years ended December 31, 2018 and 2017, respectively.

**UNITED STATES BOWLING CONGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)**

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 \$3,310 for the year ended December 31, 2018. The rate used to calculate the imputed interest on the 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 \$16,445 as of December 31, 2018.

IBCYB is represented by two members of the USBC board of directors. USBC has a payable to IBCYB of \$261,440 and \$387,901 as of December 31, 2018 and 2017, respectively. USBC contributed \$369,361 and \$620,622 to IBCYB during the years ended December 31, 2018 and 2017, 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 \$831,883 and \$915,192 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017. USBC has a receivable from IBC of \$15,571 and \$11,941 as of December 31, 2018 and 2017, respectively.

**NOTE 10 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 5.50% and 4.50% as of December 31, 2018 and 2017, respectively. The line is unsecured and matures on June 30, 2019. No borrowings on the line of credit were outstanding at December 31, 2018 and 2017.

**NOTE 11 LEASES**

USBC leases office equipment under various operating leases expiring at various dates through 2021.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 89,988
2020	42,314
2021	34,815
Total Minimum Lease Payments	<u>\$ 167,117</u>

**UNITED STATES BOWLING CONGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 12 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 18, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to March 18, 2019 that provided additional evidence about conditions that existed at December 31, 2018, have been recognized in the financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

USBC has entered into a service agreement for access to and use of a third-party software. The service agreement is effective February 1, 2019 through April 30, 2022. Required payments total \$525,850, to be paid during the effective service agreement period.