UNITED STATES BOWLING CONGRESS, INC.
Arlington, Texas

FINANCIAL STATEMENTS
December 31, 2013

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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 State Bowling Congress, Inc. which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the seventeen month period 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 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.

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, 2013, and the results of its operations and its cash flows for the seventeen month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
April 3, 2014

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 19,354,402
Accounts receivable, net	742,482
Due from related parties	442,807
Inventory	338,670
Prepaid expenses and other	613,204
Total current assets	21,491,565
INVESTMENTS	
Investments, at fair value	7,296,245
Investment in International Bowling Campus, LLC	6,912,356
Total investments	14,208,601
PROPERTY AND EQUIPMENT	
Building and building improvements	59,096
Furniture and fixtures	13,551,917
Tournament equipment	11,246,744
Vehicles	66,965
Construction in progress	665,127
Total, at cost	25,589,849
Less accumulated depreciation	18,486,169
Total property and equipment	7,103,680
TOTAL ASSETS	$ 42,803,846

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 1,402,174
Due to related parties	631,850
Accrued liabilities	1,044,449
Current portion of deferred revenue - national tournaments	16,579,362
Current portion of deferred revenue - membership dues and other	15,996
Current portion of deferred compensation	36,094
Total current liabilities	19,709,925
LONG-TERM LIABILITIES	
Deferred revenue - national tournaments, less current portion above	1,273,889
Deferred revenue - membership dues and other, less current portion above	19,644
Postretirement benefit obligation	1,281,363
Total long-term liabilities	2,574,896
Total liabilities	22,284,821
NET ASSETS	
Unrestricted	20,130,857
Permanently restricted	388,168
Total net assets	20,519,025
TOTAL LIABILITIES AND NET ASSETS	$ 42,803,846

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
For the Seventeen Month Period Ended December 31, 2013

	Unrestricted	Permanently Restricted	Total
REVENUES			
Membership dues	$ 23,920,539	$ -	$ 23,920,539
Merchandise sales	1,069,623	-	1,069,623
Workshops and seminars	312,753	-	312,753
Special events, booths, and concessions	540,353	-	540,353
Tournament entry and prize fees	13,070,418	-	13,070,418
Tournament and conventions subsidy	1,983,070	-	1,983,070
Brackets	1,363,558	-	1,363,558
Advertising	110,011	-	110,011
Royalty	1,280,883	-	1,280,883
Sponsorship	1,127,104	-	1,127,104
Contributions	72,814	-	72,814
Interest and dividends	254,024	-	254,024
Realized and unrealized gains	269,500	-	269,500
Other	634,492	-	634,492
Total revenues	46,009,142	-	46,009,142
EXPENSES			
Salaries	11,344,990	-	11,344,990
Fringe benefits	2,100,147	-	2,100,147
Training, professional memberships and tuition	197,668	-	197,668
Temporary agency services	3,111,818	-	3,111,818
Professional services	4,095,032	-	4,095,032
Supplies	217,542	-	217,542
Resale merchandise	801,565	-	801,565
Prizes	7,586,299	-	7,586,299
Awards	3,629,809	-	3,629,809
Telephone	201,305	-	201,305
Postage and freight	1,433,850	-	1,433,850
Facilities	565,697	-	565,697
Equipment maintenance and repairs	1,048,149	-	1,048,149
Depreciation	1,157,112	-	1,157,112
Printing	345,047	-	345,047
Promotion, sponsorships and programs	1,662,539	-	1,662,539
Travel	1,386,003	-	1,386,003
Insurance	395,156	-	395,156
Contributions	198,871	-	198,871
Lineage and construction	2,579,305	-	2,579,305
Taxes	27,727	-	27,727
Miscellaneous	527,957	-	527,957
Total expenses	44,613,588	-	44,613,588
Change in net assets from operations	1,395,554	-	1,395,554
EQUITY IN NET LOSS OF INTERNATIONAL BOWLING CAMPUS, LLC	(292,554)	-	(292,554)
CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION, OTHER THAN PERIODIC EXPENSE	157,012	-	157,012
CHANGE IN NET ASSETS	1,260,012	-	1,260,012
NET ASSETS, BEGINNING OF PERIOD	18,870,845	388,168	19,259,013
NET ASSETS, END OF PERIOD	$ 20,130,857	$ 388,168	$ 20,519,025

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF CASH FLOWS
For the Seventeen Month Period Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,260,012
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,157,112
Provision for bad debts	35,902
Decrease in postretirement benefit obligation	(465,779)
Net realized and unrealized gains on investments	(269,500)
Equity in net loss of International Bowling Campus, LLC	292,554
Effects of changes in operating assets and liabilities	
Accounts receivable	(112,137)
Due from related parties	(58,072)
Inventory	430,150
Prepaid expenses and other	(48,575)
Accounts payable	(1,937,916)
Due to related parties	263,315
Accrued liabilities	97,644
Accrued tournament prize checks	(7,690,787)
Deferred compensation	(52,232)
Deferred revenue	10,609,692
Net cash provided by operating activities	3,511,383
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	238,616
Purchases of investments	(3,755,694)
Distribution from International Bowling Campus, LLC	196,026
Purchases of property and equipment	(617,917)
Net cash used in investing activities	(3,938,969)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(427,586)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	19,781,988
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 19,354,402

The accompanying notes are an integral part of the financial statements.

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. During 2013, USBC changed its fiscal year end from July 31 to December 31. The following footnotes report information for the seventeen month period ended December 31, 2013 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 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 $85,832 at December 31, 2013.

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.

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.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line method over their estimated useful lives, which range from three to thirty 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Deferred revenue - national tournaments consists 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.

Deferred revenue - membership dues and other consists primarily of membership dues. These amounts are recognized in the fiscal year in which the individual receives the privileges that membership offers.

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.

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 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.

The federal and state income tax returns of USBC for 2010, 2011, and 2012 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 2 - INVESTMENTS

Investments consist of the following at December 31, 2013:

Equities	$ 343,977
Bonds	267,885
Mutual funds	6,684,383
Total investments	$ 7,296,245

Investment income for the period ended December 31, 2013:

Interest and dividends	$ 254,024
Net realized and unrealized gains	269,500
Total investment income	$ 523,524

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.

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

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

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.

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.

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, 2013:

	Level 1	Level 2	Level 3	Total
Equities	$ 343,977	$ -	$ -	$ 343,977
Mutual funds				
Small cap	1,015,278	-	-	1,015,278
Mid cap	294,935	-	-	294,935
Large cap	1,555,904	-	-	1,555,904
International	19,755	-	-	19,755
Fixed income	3,798,511	-	-	3,798,511
Bonds				
Corporate bonds	-	267,885	-	267,885
Total assets at fair value	$ 7,028,360	$ 267,885	$ -	$ 7,296,245

NOTE 4 - INVESTMENT IN INTERNATIONAL BOWLING CAMPUS, LLC

IBC holds title to the land and building which USBC uses as its national headquarters. Summarized financial information for IBC for the year ended December 31, 2013 is shown below. January 1, 2013 to December 31, 2013 information is presented below to be consistent with the presentation of the IBC audited financial statements.

Total assets	$ 14,893,117
Total liabilities	1,648,549
Net assets - unrestricted	13,244,568
Change in net assets	(325,923)
Distribution	(392,054)

NOTE 5 - POSTRETIREMENT BENEFIT OBLIGATION

USBC provides defined benefit postretirement 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 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, 2013:

Benefit obligation at beginning of period	$ 1,747,142
Service cost	7,872
Interest cost	77,466
Benefits paid	(188,865)
Actuarial gain	(362,252)
Accrued postretirement benefit obligation	$ 1,281,363

NOTE 5 - POSTRETIREMENT BENEFIT OBLIGATION (continued)

In accordance with generally accepted accounting principles, 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, 2013 are as follows:

Cumulative changes, beginning of period	$ (668,747)
Prior service cost	127,106
Actuarial gain	(284,118)
Current year increase in net assets	(157,012)
Cumulative changes, end of period	$ (825,759)

Net periodic postretirement benefit expense (credit) for the seventeen month period ended December 31, 2013, included the following components:

Service cost	$ 7,872
Interest cost	77,466
Amortization of net gain from prior periods	(78,134)
Amortization of unrecognized prior service cost	(127,106)
Periodic postretirement benefit expense (credit)	$ (119,902)

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

2014	$ 138,000
2015	125,000
2016	109,000
2017	109,000
2018	90,000
2019-2023	520,000

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

Discount rate	3.75%
Health care cost trend rate for the next year	5.92%

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 1.07% over the next three years to an ultimate rate of 4.85%.

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), and The Bowling Foundation) available to all employees who have reached the age of 21 and completed one month of service. However, employer contributions do not begin until the employee has completed one year 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 $292,978 for the period ended December 31, 2013, respectively.

USBC has a deferred compensation agreement with a former employee, which provides benefits upon retirement or disability. Upon death, benefits are payable to beneficiaries. Monthly payments are being made in the amount of $3,375 and will continue through November 2014.

NOTE 7 - EXPENSES BY FUNCTIONAL CLASSIFICATION

Program services	
Membership services	$ 7,794,243
Public relations, marketing and industry relationship	3,265,885
Management information systems	4,726,550
Equipment specifications	785,712
Tournaments	15,979,501
Other	2,939,758
Total program services	35,491,649
Management and general	8,871,939
Total	$ 44,363,588

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 $89,500 are included in accrued liabilities at December 31, 2013, 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 (FDIC) up to specified limits. Balances in excess of these limits are uninsured.

Contingencies

USBC is involved in a limited number of lawsuits arising in the normal course of business. Management believes, based on its investigation and discussion with legal counsel, that final disposition of these actions will not have a materially adverse effect on USBC's financial position or results of operations.

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 $31,231 from BPAA as of December 31, 2013.

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 had a receivable from SMART for these services of $312,594 as of December 31, 2013.

USBC provides certain shared services to IBM&HF. USBC had a receivable from IBM&HF for these services of $85,710 as of December 31, 2013.

USBC provides certain shared services to the Bowling Foundation. USBC had a receivable from the Bowling Foundation for these services of $13,272 as of December 31, 2013.

NOTE 9 - RELATED PARTY TRANSACTIONS (continued)

USBC leases its facilities from IBC under a non-cancellable 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. USBC had a payable to IBC of $631,850 as of December 31, 2013.

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 3.25% as of December 31, 2013. The line is unsecured. No borrowings on the line of credit were outstanding at December 31, 2013.

NOTE 11 - SUBSEQUENT EVENTS

Management evaluated subsequent events through April 3, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to April 3, 2014 that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the seventeen month period ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the seventeen month period ended December 31, 2013.