

**METROPOLITAN RICHMOND
SPORTS BACKERS, INC.**

Richmond, Virginia

FINANCIAL REPORT

June 30, 2010



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Metropolitan Richmond Sports Backers, Inc.
Richmond, Virginia

We have audited the accompanying statement of financial position of Metropolitan Richmond Sports Backers, Inc. as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Organization has excluded, from the accompanying statement of financial position, pledges receivable which, in our opinion, should be included in order to conform with accounting principles generally accepted in the United States of America. If these pledges receivable were recorded, assets would be increased by \$462,800 and net assets would be increased by \$462,800 as of June 30, 2010; and net income would be decreased by \$81,208 for the year then ended.

In our opinion, except for the effects of recording pledges receivable as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Richmond Sports Backers, Inc. as of June 30, 2010, and the activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit for the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yount, Hyde & Barbour, P.C.

Glen Allen, Virginia
November 15, 2010

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Statement of Financial Position

June 30, 2010

Assets

Current assets

Cash and cash equivalents	\$ 556,722
Development fee receivable, current	18,014
Program receivables	210,296
Inventory	5,494
Prepaid and other current assets	<u>213,840</u>
Total current assets	1,004,366

Development fee receivable, non-current	358,810
Investments	291,703
Property and equipment, net	<u>143,474</u>

Total assets \$ 1,798,353

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 211,582
Deferred revenue	<u>444,427</u>
Total liabilities	<u>656,009</u>

Unrestricted Net Assets

Undesignated	850,641
Board designated	<u>291,703</u>
Total unrestricted net assets	<u>1,142,344</u>

Total liabilities and net assets \$ 1,798,353

See Notes to Financial Statements.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Statement of Activities

For the Year Ended June 30, 2010

Revenues and Other Support

Program sponsorship and participation fees	\$ 3,787,713
Contributions	544,193
Interest income	36,954
Unrealized gains on investments	25,141
Other	<u>52,976</u>
Total revenue and other support	<u>4,446,977</u>

Expenses

Programs	3,764,832
Fund raising	75,201
Management and general	<u>439,823</u>
Total expenses	<u>4,279,856</u>

Change in net assets 167,121

Net assets at beginning of year, as previously stated	1,519,231
Prior period adjustment	<u>(544,008)</u>
Net assets at beginning of year, after adjustment	<u>975,223</u>
Net assets at end of period	<u>\$ 1,142,344</u>

See Notes to Financial Statements.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Statement of Cash Flows

For the Year Ended June 30, 2010

Cash Flows from Operating Activities

Increase in net assets	\$ 167,121
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	88,091
Gain on sale of equipment	(15,476)
Unrealized gain on investment	(25,141)
Decrease in development fee receivable	15,689
Increase in program receivables	(111,144)
Increase in inventory	(5,494)
Increase in prepaid and other current assets	(79,099)
Increase in accounts payable and accrued expenses	47,771
Increase in deferred revenue	50,367
Net cash provided by operating activities	<u>132,685</u>

Cash Flows from Investing Activities

Purchase of equipment	(47,667)
Proceeds from sale of equipment	20,000
Purchases of investments	<u>(8,845)</u>
Net cash (used in) investing activities	<u>(36,512)</u>

Net increase in cash and cash equivalents 96,173

Cash and Cash Equivalents

Beginning of year	<u>460,549</u>
End of year	<u>\$ 556,722</u>

See Notes to Financial Statements.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Metropolitan Richmond Sports Backers, Inc. ("Sports Backers") is a not-for-profit organization founded in 1991. It fulfills its mission - maximizing the community benefits of sports tourism in the region - by focusing mainly on creating, attracting, and improving significant sporting events; serving as a catalyst in the development and utilization of sports facilities; and aiding area youth through sports outreach programs. Sports Backers believes these events and programs strengthen the economy, provide health benefits to participants, and make the region a more desirable place to live.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting with a modification for pledges receivable which are recorded on the cash basis of accounting.

Classification of Net Assets

The organization is required to report information regarding the financial position and activities according to the three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be filled by actions of Sports Backers pursuant to those stipulations or that expire by the passage of time. Sports Backers did not have any temporarily restricted net assets as of June 30, 2010.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Sports Backers. The donors of such assets permit Sports Backers to use the income earned on the assets. Sports Backers did not have any permanently restricted net assets as of June 30, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Notes to Financial Statements

Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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.

For the fiscal years ended June 30, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Notes to Financial Statements

Cash and Cash Equivalents

For purposes of reporting cash flows, Sports Backers includes all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with maturities of three months or less as cash and cash equivalents.

Contributions

Sports Backers recognizes contributions in the year the donor makes a contribution. Some of these contributions are subject to restrictions imposed by the donor that limit the contribution's use to a specific program. Contributions are recognized as an increase in unrestricted net assets if the restriction is met in the year in which the contribution is made.

Revenue from Events and Related Expenses

Revenue from events' sponsorship and participation fees, and related expenses are recognized as revenue and expense in the year the events occur. Sponsorship and participation fees that are collected prior to the events are recognized as deferred revenue, and the related expenses incurred prior to the events are recognized as an asset. In the year the events occur, effectively the related deferred revenue is reclassified as revenue, and the related asset is reclassified as expense.

Investments

Investments in mutual funds are stated at fair market value based on quoted market prices. Realized and unrealized gains and losses are included in the statement of activities. The fair value of investments is generally determined based on quoted market prices. The amounts Sports Backers will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the fair market value at the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 7 years.

Income Taxes

Sports Backers is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to Sports Backers are tax deductible as defined by Section 170 of the Internal Revenue Code.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Notes to Financial Statements

Note 2. Investments

Investments are composed of the following at June 30, 2010:

	Fair Value	Cost
Mutual funds	<u>\$ 291,703</u>	<u>\$ 295,762</u>

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2010:

	Balance as of June 30, 2010	Quoted Price in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments	<u>\$ 291,703</u>	<u>\$ 291,703</u>	<u>\$ --</u>	<u>\$ --</u>

Note 3. Property and Equipment

A summary of property and equipment at June 30, 2010 follows:

Portable equipment	\$ 202,353
Flooring	215,002
Vehicles	17,093
Office furniture	31,889
Office equipment	28,943
Other equipment	85,603
Computer equipment	34,043
Software	<u>40,616</u>
	655,542
Less accumulated depreciation	<u>(512,068)</u>
Property and equipment, net	<u>\$ 143,474</u>

Note 4. Retirement Plan

Salaries and benefits include contributions to a retirement plan of \$36,506. Sports Backers has a non-standardized 401(k) Profit Sharing plan with a matching contribution of 100% of the participants' elective deferral that does not exceed 4% of participant's compensation for all eligible employees. The non-standardized 401(k) Profit Sharing plan has been effective since January 1, 2009.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Notes to Financial Statements

Note 5. Promises to Give

The Organization had outstanding pledges receivable of \$462,800 at June 30, 2010. This amount is not included on the financial statements.

Due within one year	\$ 298,050
Due from one to five years	<u>164,750</u>
	<u>\$ 462,800</u>

Note 6. Development Fee Receivable

In 2001, Sports Backers received a fee for its role in the development of the Sports Backers Stadium Phase III project, which included raising contributions totaling over \$3,000,000. The fee is to be realized through the Sports Backers' use of office space at the stadium from 2002 through 2021. Based on market conditions at the inception of the arrangement, Sports Backers estimated that the fair market value of the consideration for the fee was \$453,697, computed using the fair value of the rental for 2002, an increase in the fair value of the office space used of 3% annually through 2021 and a discount rate of 6.75%, which was prime at the inception of the arrangement.

The fair value of the consideration for the fee was recognized as a contribution in 2001, and the related receivable is being amortized using the interest method as the fair value of the annual rental is realized through the use of the space. In 2010, Sports Backers recognized interest income of \$26,495 on the receivable and reduced the receivable by \$15,689 for the fair value of the space used. The receivable balance was \$376,824 as of June 30, 2010.

Note 7. Concentration of Credit Risk

Sports Backers maintains its cash accounts in two commercial banks. The amount on deposit at June 30, 2010 exceeded the limits of the Federal Deposit insurance by \$151,022.

Note 8. Subsequent Events

The Organization has evaluated all subsequent events through November 15, 2010, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.

Note 9. Prior Period Adjustment

The net assets as of June 30, 2009 have been adjusted to reflect a change in accounting of pledges receivable from accrual basis to cash basis. The net result of this adjustment is a decrease in net assets of \$544,008.

METROPOLITAN RICHMOND SPORTS BACKERS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2010

See Independent Auditor's Report

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 1,009,855	\$ 62,561	\$ 252,868	\$ 1,325,284
Event production costs	1,434,471	--	--	1,434,471
Advertising and marketing	641,925	--	62,472	704,397
Occupancy and utilities	176,680	4,484	19,455	200,619
Contributions and scholarships awarded	99,325	--	659	99,984
Service charges	152,225	18	3,417	155,660
Depreciation	85,070	584	2,437	88,091
Postage	62,442	308	4,281	67,031
Staff training	--	--	4,051	4,051
Office supplies	4,275	2,080	10,544	16,899
Computers	1,650		8,960	10,610
Dues and memberships	1,938	831	13,008	15,777
Appreciation and cultivation	4,167	2,000	5,967	12,134
Other expenses	3,804	--	6,001	9,805
Travel and meals	57,233	2,335	18,809	78,377
Insurance	18,614	--	7,030	25,644
License and permits	11,158	--	1,351	12,509
Professional fees	--	--	18,513	18,513
	<u>\$ 3,764,832</u>	<u>\$ 75,201</u>	<u>\$ 439,823</u>	<u>\$ 4,279,856</u>