

**METROPOLITAN RICHMOND  
SPORTS BACKERS, INC.**

**Richmond, Virginia**

**FINANCIAL REPORT**

**June 30, 2013**



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Richmond Sports Backers, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

### Auditor's 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. These 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 auditor's 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 principles 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 qualified audit opinion.

### **Basis for Qualified 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 \$1,058,350 and \$166,398 as of June 30, 2013 and 2012, respectively; and net income would be increased by \$899,703 and \$128,927 for the years ended June 30, 2013 and 2012, respectively.

### **Qualified Opinion**

In our opinion, except for the effects of recording pledges receivable described in the Basis for Qualified Opinion 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, 2013 and 2012, and the activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Gount, Hyde & Barbours, P.C.*

Glen Allen, Virginia  
November 26, 2013

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Statements of Financial Position**

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 856,386	\$ 605,046
Development fee receivable, current	26,217	23,263
Grant receivable	250,000	--
Program receivables	414,378	344,323
Inventory	35,906	23,136
Prepaid and other current assets	<u>242,188</u>	<u>280,292</u>
Total current assets	1,825,075	1,276,060
Development fee receivable, non-current	288,796	315,013
Investments	341,660	331,002
Investment - deferred compensation	59,374	34,273
Property and equipment, net	<u>111,867</u>	<u>139,761</u>
Total assets	<u>\$ 2,626,772</u>	<u>\$ 2,096,109</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 348,690	\$ 339,879
Deferred revenue	945,217	708,893
Deferred compensation payable	<u>59,374</u>	<u>34,273</u>
Total liabilities	<u>1,353,281</u>	<u>1,083,045</u>
<b>Net Assets</b>		
Undesignated	622,457	647,789
Board designated	401,034	365,275
Temporarily restricted	<u>250,000</u>	<u>--</u>
Total net assets	<u>1,273,491</u>	<u>1,013,064</u>
Total liabilities and net assets	<u>\$ 2,626,772</u>	<u>\$ 2,096,109</u>

See Notes to Financial Statements.

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Statements of Activities**

For the Years Ended June 30, 2013 and 2012

	<b>2013</b>			<b>Unrestricted 2012</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
<b>Revenues and Other Support</b>				
Program sponsorship and participation fees	\$ 5,426,173	\$ --	\$ 5,426,173	\$ 4,873,557
Contributions	762,382	300,000	1,062,382	445,732
Interest income	34,254	--	34,254	34,955
Unrealized and realized gains (losses) on investments	40,423	--	40,423	(7,559)
Gain on sale of equipment	15,133	--	15,133	--
Other	<u>500</u>	<u>--</u>	<u>500</u>	<u>500</u>
Total revenue and other support before releases	6,278,865	300,000	6,578,865	5,347,185
Net assets released from restriction - Bike Walk RVA	<u>50,000</u>	<u>(50,000)</u>	<u>--</u>	<u>--</u>
Total revenue and other support	<u>6,328,865</u>	<u>250,000</u>	<u>6,578,865</u>	<u>5,347,185</u>
<b>Expenses</b>				
Programs	5,712,638	--	5,712,638	4,951,165
Fund raising	196,185	--	196,185	116,798
Management and general	<u>409,615</u>	<u>--</u>	<u>409,615</u>	<u>442,768</u>
Total expenses	<u>6,318,438</u>	<u>--</u>	<u>6,318,438</u>	<u>5,510,731</u>
Change in net assets	10,427	250,000	260,427	(163,546)
<b>Net assets at beginning of year</b>	<u>1,013,064</u>	<u>--</u>	<u>1,013,064</u>	<u>1,176,610</u>
<b>Net assets at end of period</b>	<u>\$ 1,023,491</u>	<u>\$ 250,000</u>	<u>\$ 1,273,491</u>	<u>\$ 1,013,064</u>

See Notes to Financial Statements.

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Statements of Cash Flows**

For the Years Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 260,427	\$ (163,546)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	46,613	47,997
Realized and unrealized (gain) loss on investments	(40,423)	7,559
(Gain) on sale of equipment	(15,133)	--
Decrease in development fee receivable	23,263	20,534
(Increase) in grant receivable	(250,000)	--
(Increase) in program receivables	(70,055)	(230,275)
(Increase) in inventory	(12,770)	(23,136)
Decrease (increase) in prepaid and other current assets	38,104	(112,930)
Increase in accounts payable and accrued expenses	8,810	240,078
Increase in deferred compensation payable	25,102	18,976
Increase in deferred revenue	236,324	151,696
Net cash provided by (used in) operating activities	250,262	(43,047)
 <b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(22,239)	(65,735)
Proceeds from sale of equipment	18,653	--
Purchase of investments	(25,336)	(23,302)
Proceeds from sale of investments	30,000	--
Net cash provided by (used in) investing activities	1,078	(89,037)
Net increase (decrease) in cash and cash equivalents	251,340	(132,084)
 <b>Cash and Cash Equivalents</b>		
Beginning of year	605,046	737,130
End of year	\$ 856,386	\$ 605,046

See Notes to Financial Statements.

# METROPOLITAN RICHMOND SPORTS BACKERS, INC.

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### Nature of Activities

The Metropolitan Richmond Sports Backers work to transform greater Richmond into the most physically active community in the nation by leading the area in embracing and celebrating an active lifestyle. The Sports Backers produce and support nationally recognized quality sporting events and programs that motivate locals and visitors alike to be more active.

#### 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 had \$250,000 in temporarily restricted net assets restricted for Bike Walk RVA as of June 30, 2013. Sports Backers did not have any temporarily restricted net assets as of June 30, 2012.

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, 2013 or 2012, respectively.

#### 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 Measurement

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active exchange markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic re-assessments of models to ensure that they are continuing to perform as designed. The Organization performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While 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 estimate of fair value at the reporting date.

During the years ended June 30, 2013 and June 30, 2012, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

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. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

# **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.

### **Inventory**

Inventory, which consists of promotional items, is valued based upon the first-in, first-out method.

### **Program Receivables and Grant Receivable**

Receivables are stated at full value and management estimates that no allowance for doubtful accounts is required.

### **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.

### **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 3 to 7 years.

### **Income Tax Status**

Sports Backers is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law. In addition, contributions to Sports Backers qualify for the charitable contribution deduction under Section 170(b)(1)(a). Sports Backers has been classified as an organization that is not a private foundation under Section 509(a)(2).

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Notes to Financial Statements**

**Note 2. Investments**

Investments, which are entirely comprised of mutual funds valued using level 1 inputs, are composed of the following as of June 30, 2013 and 2012:

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 401,034	\$ 323,316	\$ 365,275	\$ 327,241

**Note 3. Property and Equipment**

A summary of property and equipment at June 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Portable equipment	\$ 132,551	\$ 205,701
Flooring	215,002	215,002
Vehicles	38,442	38,442
Office furniture	94,286	86,018
Office equipment	46,240	35,373
Other equipment	104,658	104,940
Computer equipment	46,212	43,108
Software	<u>41,959</u>	<u>41,959</u>
	719,350	770,543
Less accumulated depreciation	<u>(607,483)</u>	<u>(630,782)</u>
Property and equipment, net	<u>\$ 111,867</u>	<u>\$ 139,761</u>

**Note 4. Retirement Plan and Deferred Compensation Plan**

Salaries and benefits include contributions to a retirement plan of \$50,988. 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.

The Organization adopted a deferred compensation plan for the Executive Director in 2011. In 2012 and 2013, \$15,000 was added to this plan in both years.

# METROPOLITAN RICHMOND SPORTS BACKERS, INC.

## Notes to Financial Statements

### Note 5. Promises to Give

The Organization had outstanding pledges receivable of \$1,058,350 and \$166,398 at June 30, 2013 and 2012, respectively. This amount is not included on the financial statements.

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 275,334	\$ 102,898
Due from one to five years	<u>783,016</u>	<u>63,500</u>
	<u>\$ 1,058,350</u>	<u>\$ 166,398</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 2013 and 2012, Sports Backers recognized related interest income of \$22,834 and \$24,220 and recorded rent expense of \$46,097 and \$44,754, which, on a net basis, reduced the receivable by \$23,263 and \$20,534 in each respective year. The receivable balance was \$315,013 and \$338,276 as of June 30, 2013 and 2012, respectively.

### Note 7. Related Party Transactions

Sports Backers incurred expenses with a related party (board member) that totaled \$157,157 for the year ending June 30, 2013.

# METROPOLITAN RICHMOND SPORTS BACKERS, INC.

## Notes to Financial Statements

### **Note 8.      **Litigation****

A lawsuit was filed against the Organization alleging breach of purported contract and/or negligence in failing to provide proper safety and security. The defense of this case is being managed by the Organization's insurance carrier. The Organization has also filed a cross-claim against a co-defendant asserting breach of contract. As of June 30, 2013, no accrual has been made, as management, after consultation with the Organization's legal counsel and insurance carrier, is unable to predict the likely outcome of the claim. However, given the coverage provided by insurance, management does not believe that the outcome will have a material adverse effect on the financial position of the Organization.

### **Note 9.      **Subsequent Events****

The Organization has evaluated all subsequent events through November 26, 2013, the date the financial statements were available to be issued.

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Statement of Functional Expenses**

For the Year Ended June 30, 2013

See Independent Auditor's Report

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 1,510,656	\$ 170,583	\$ 281,469	\$ 1,962,708
Event production costs	2,559,399	98	--	2,559,497
Advertising and marketing	813,264	6,707	13,141	833,112
Occupancy and utilities	126,737	8,326	14,172	149,235
Contributions and scholarships awarded	138,114	--	518	138,632
Service charges	209,244	665	792	210,701
Depreciation	42,345	1,614	2,654	46,613
Postage	54,014	244	5,514	59,772
Staff training	4,725	464	4,189	9,378
Office supplies	4,060	515	7,622	12,197
Computers	170	--	12,187	12,357
Copier	--	--	7,752	7,752
Dues and memberships	3,231	--	13,399	16,630
Appreciation and cultivation	17,228	4,815	5,416	27,459
Other expenses	3,017	65	2,801	5,883
Travel and meals	97,660	1,979	12,477	112,116
Insurance	113,854	--	9,149	123,003
License and permits	14,920	110	1,113	16,143
Professional fees	--	--	15,250	15,250
	<u>\$ 5,712,638</u>	<u>\$ 196,185</u>	<u>\$ 409,615</u>	<u>\$ 6,318,438</u>

**METROPOLITAN RICHMOND SPORTS BACKERS, INC.**

**Statement of Functional Expenses**

For the Year Ended June 30, 2012

See Independent Auditor's Report

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 1,307,878	\$ 105,160	\$ 303,088	\$ 1,716,126
Event production costs	2,163,494	--	--	2,163,494
Advertising and marketing	764,861	--	20,028	784,889
Occupancy and utilities	137,194	5,842	17,462	160,498
Contributions and scholarships awarded	102,707	--	1,140	103,847
Service charges	178,545	447	1,352	180,344
Depreciation	43,959	1,035	3,003	47,997
Postage	65,622	8	3,630	69,260
Staff training	2,228	--	5,123	7,351
Office supplies	7,155	265	9,971	17,391
Computers	--	--	12,572	12,572
Copier	--	--	6,815	6,815
Dues and memberships	4,424	709	12,825	17,958
Appreciation and cultivation	12,493	2,000	5,892	20,385
Other expenses	1,299	--	5,651	6,950
Travel and meals	87,955	1,332	8,534	97,821
Insurance	57,813	--	9,187	67,000
License and permits	13,538	--	788	14,326
Professional fees	--	--	15,707	15,707
	<u>\$ 4,951,165</u>	<u>\$ 116,798</u>	<u>\$ 442,768</u>	<u>\$ 5,510,731</u>