

UNITED STATES COMPETITION CLIMBING  
FINANCIAL STATEMENTS  
AUGUST 31, 2013

UNITED STATES COMPETITION CLIMBING

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

United States Competition Climbing  
Boulder, Colorado

We have audited the accompanying financial statements of United States Competition Climbing (a not-for-profit organization), which comprise the statement of financial position as of August 31, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 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 Competition Climbing as of August 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Report on Summarized Comparative Information**

We have previously audited the United States Competition Climbing's August 31, 2012 financial statements, and our report dated January 31, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MIDDLEMIST, CROUCH & CO., CPAs, P.C.

Boulder, Colorado  
June 30, 2014

## FINANCIAL STATEMENTS

UNITED STATES COMPETITION CLIMBING

Statement of Financial Position

August 31, 2013

(with summarized financial information for the year ended August 31, 2012)

	ASSETS	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 76,618	\$ 49,826
Accounts receivables	38,771	4,314
Prepaid expenses	16,790	80
Total current assets	<u>132,179</u>	<u>54,220</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	41,400	32,650
Less accumulated depreciation	(15,548)	(13,616)
Net property and equipment	<u>25,852</u>	<u>19,034</u>
<b>Total assets</b>	<u><u>\$ 158,031</u></u>	<u><u>\$ 73,254</u></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,841	\$ 33,110
Accrued payroll liabilities	4,505	2,097
Deferred revenue	-	5,125
Total current liabilities	<u>29,346</u>	<u>40,332</u>
<b>NET ASSETS</b>		
Unrestricted	<u>128,685</u>	<u>32,922</u>
Total net assets	<u>128,685</u>	<u>32,922</u>
<b>Total liabilities &amp; net assets</b>	<u><u>\$ 158,031</u></u>	<u><u>\$ 73,254</u></u>

See accompanying notes to financial statements

UNITED STATES COMPETITION CLIMBING  
Statement of Activities  
For the year ended August 31, 2013  
(with summarized financial information for the year ended August 31, 2012)

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	2013	2012
Public Support and Revenue		
Entry and Sanctioning fees	\$ 934,094	\$ 723,323
Sponsorship	198,750	177,130
Membership dues	281,398	224,446
Contributions	27,439	68,522
Contributions In-kind	10,350	-
Other	8,684	9,141
Investment income	84	101
Total public support and revenue	1,460,799	1,202,663
 Functional expenses		
Program services	1,188,752	996,630
Management and general	169,341	139,385
Fundraising	6,943	19,824
Total functional expenses	1,365,036	1,155,839
 Increase in unrestricted net assets	95,763	46,824
 NET ASSETS--BEGINNING OF YEAR	32,922	(13,902)
 NET ASSETS--END OF YEAR	\$ 128,685	\$ 32,922

See accompanying notes to financial statements

UNITED STATES COMPETITION CLIMBING

Statement of Functional Expenses

For the year ended August 31, 2013

(with summarized financial information for the year ended August 31, 2012)

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
Venue	\$ 573,830	\$ -	\$ -	\$ 573,830	\$ 476,390
Travel	111,576	9,476	-	121,052	81,535
Salaries and wages	70,883	51,551	6,444	128,878	145,500
Rent	-	22,798	-	22,798	19,510
Professional fees	-	19,185	-	19,185	13,514
Payroll taxes	5,493	3,995	499	9,988	11,131
Payroll processing	-	759	-	759	588
Office supplies and postage	-	9,458	-	9,458	6,498
Staff Apparel	-	1,600	-	1,600	-
Miscellaneous expense	-	3,272	-	3,272	151
Merchandise	2,284	-	-	2,284	2,632
Promotion	82,365	4,076	-	86,441	61,022
Insurance	18,073	3,254	-	21,327	26,812
Exhibition expenses	-	-	-	-	7,451
Event awards and prizes	115,828	-	-	115,828	73,343
Contract labor	106,749	16,327	-	123,076	126,165
Computers and telephone	5,534	5,534	-	11,067	10,722
Registration/Membership fees svcs	66,942	-	-	66,942	59,651
Bank fees	-	1,595	-	1,595	901
Administration	27,263	16,461	-	43,724	30,356
<b>Total expenses before depreciation and amortization</b>	<b>1,186,820</b>	<b>169,341</b>	<b>6,943</b>	<b>1,363,104</b>	<b>1,153,922</b>
<b>Percentage of expenses before depreciation and amortization</b>	<b>87.07%</b>	<b>12.42%</b>	<b>0.51%</b>	<b>100.00%</b>	
Depreciation	1,932	-	-	1,932	1,917
<b>Total expenses</b>	<b>\$ 1,188,752</b>	<b>\$ 169,341</b>	<b>\$ 6,943</b>	<b>\$ 1,365,036</b>	<b>\$ 1,155,839</b>

See accompanying notes to financial statements



Statement of Cash Flows  
For the year ended August 31, 2013  
(with summarized financial information for the year ended August 31, 2012)

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 95,763	\$ 46,824
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,932	1,917
Donations in-kind	(10,350)	-
Expenses in-kind	1,600	-
(Increase) decrease in accounts receivable	(34,457)	17,249
(Increase) decrease in prepaid expenses	(16,710)	(80)
Increase (decrease) in accounts payable	(8,269)	(27,080)
Increase (decrease) in accrued payroll liabilities	2,408	(2,328)
Increase (decrease) in deferred revenue	(5,125)	5,125
Net cash provided by operating activities	26,792	41,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(5,000)
Net cash used by investing activities	-	(5,000)
<b>NET INCREASE IN CASH</b>	26,792	36,627
<b>CASH AT BEGINNING OF YEAR</b>	49,826	13,199
<b>CASH AT END OF YEAR</b>	\$ 76,618	\$ 49,826
 <b>Supplemental Cash Flow Information:</b>		
Donated equipment	\$ 8,750	\$ -
Donated apparel	\$ 1,600	\$ -

See accompanying notes to financial statements

UNITED STATES COMPETITION CLIMBING  
Notes to Financial Statements  
August 31, 2013

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NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

United States Competition Climbing (USAC) is a non-profit corporation licensed pursuant to the laws of the State of Colorado. USAC operates for charitable and educational purposes and also has as its purpose to foster national and international sports competition in the sport of competition climbing. USAC operates consistent with and maintains a tax-exempt status in accordance with section 501(c)(3) of the Internal Revenue Service. The mission of USAC is to promote and grow the sport of competition climbing in the United States.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry audit guide, *Audits of Not-for-Profit Organizations*.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement FASB ASC No. 958-205-45-5, "Presentation of Financial Statements."

Under ASC 958-205-45-5, USAC is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted – Resources are not subject to donor-imposed restrictions.

Temporarily restricted – Resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently restricted – Resources which donor-imposed restrictions limit the organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization's meeting certain requirements.

Cash and Cash Equivalents

USAC considers all demand deposit and savings accounts and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair market value at the date of donation and are depreciated over estimated useful lives using the straight-line method. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

Contribution Revenue

All contributions are available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

UNITED STATES COMPETITION CLIMBING  
Notes to Financial Statements  
August 31, 2013

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Revenue Recognition**

Sponsorships, sanctioning and entry fees received in advance for future events are recorded as deferred revenue. Recognition occurs when the event takes place. Membership fees are recognized in the fiscal year they are billed.

**Accounts Receivable**

USAC uses the allowance method to determine uncollectible receivables. USAC considers all receivables at August 31, 2013, to be fully collectible within one year and, therefore, did not provide for an allowance for uncollectible receivables.

**Expense Allocation**

The costs of providing services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

No provision for taxes on earnings has been made in the financial statements as USAC has qualified as a nonprofit organization under Section 501 (C)(3) of the Internal Revenue Code. In addition, contributions to USAC qualify for the charitable contribution deduction under Section 170(b)(1)(A).

USAC files Form 990 in the U.S. federal jurisdiction. USAC is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31:

	<u>2013</u>	<u>2012</u>
Climbing wall	\$ 20,000	\$ 20,000
Office equipment	4,721	4,721
Climbing equipment	16,679	7,929
Less accumulated depreciation	<u>(15,548)</u>	<u>(13,616)</u>
Net property and equipment	<u>\$ 25,852</u>	<u>\$ 19,034</u>

Depreciation expense for the year ended August 31, 2013 and 2012 was \$1,932 and \$1,917.

**NOTE 3 – NET ASSETS**

USAC had no temporarily or permanently restricted net assets as of August 31, 2013.

UNITED STATES COMPETITION CLIMBING  
Notes to Financial Statements  
August 31, 2013

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**NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

USAC maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2013, uninsured cash balance totaled \$0.

**NOTE 5 – CONTINGENCIES**

On January 6, 2012, the Workers' Compensation Commission issued a permanency award order to an injured individual who claimed status as an employee. The total amount of the award and assessments is \$80,176 and is being paid by the Uninsured Employers' Fund. The Uninsured Employers' Fund has the right to seek reimbursement for benefits it has paid, including bills for medical treatment, interest and attorneys' fees. The amount of medical expenses paid is unknown. Although the Uninsured Employers' Fund has requested reimbursement from USAC, no subrogation efforts have been made to date, and the Organization does not know whether such efforts will be instituted by the Uninsured Employers' Fund.

USAC intends to resist any reimbursement efforts based upon various legal issues, including the facts that USAC never agreed to the resolution on appeal and that the stipulation on permanency was entered into by the Uninsured Employers' Fund without USAC's consent or involvement. At present, the claim is inactive.

**NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Assets and Liabilities Measured on a Recurring Basis

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents, receivables, accrued expenses and accounts payable: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

**NOTE 7 – RELATED PARTIES**

USAC may make payments for goods or services at commercially reasonable rates to companies that are affiliated with or owned by board members, directly or indirectly. All contracts are reviewed and approved by the Board of Directors in accordance with USCA's policies. USAC purchased goods and services from businesses affiliated with board members, as well as reimbursed certain expenses incurred by board members in the amount of \$56,566 during the year ended August 31, 2013 and \$87,829 during 2012. Of this amount, \$45,000 during the year ended August 31, 2013 and \$72,000 during 2012, was paid to related parties for gym rental fees for competitions or training.

**NOTE 8 - SUBSEQUENT EVENTS**

USAC evaluated its August 31, 2013 financial statements for subsequent events through June 30, 2014, which is the date the financial statements were available to be issued. Other than the following matter, USAC is not aware of any material subsequent events which would require recognition or disclosure in the financial statements for the year ended August 31, 2013.

In June 2014, USAC agreed to pay a severance package of \$50,170 to a terminated employee. The total is payable in equal monthly payments over a period of 15 months.

June 30, 2014

Board of Directors  
United States Competition Climbing  
Boulder, Colorado

We have audited the financial statements of United States Competition Climbing for the year ended August 31, 2013, and have issued our report thereon dated June 30, 2014. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2014. Professional standards also require that we communicate to the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United States Competition Climbing are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended August 31, 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of audit procedures.

United States Competition Climbing  
Communications with those Charged with Governance  
June 30, 2014

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 30, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of United States Competition Climbing and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

MIDDLEMIST CROUCH & CO, CPA'S P.C.

June 30, 2014

Board of Directors  
United States Competition Climbing  
Boulder, Colorado

In planning and performing our audit of the financial statements of United States Competition Climbing, as of and for the year ended August 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the internal control of United States Competition Climbing to be significant deficiencies:

- Separation of duties – persons charged with governance need to address the risk of separation of duties as part of their oversight of the financial reporting process.

United States Competition Climbing  
Communication of Significant Deficiencies and Material Weaknesses  
June 30, 2014

- Management override of controls – persons charged with governance need to address the risk of management override of controls as part of their oversight of the financial reporting process.
- Preparation of financial statements - management is competent, capable and performs daily and monthly functions very well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

MIDDLEMIST, CROUCH AND COMPANY, CPA's P.C.  
Boulder, Colorado



June 30, 2014

To the Board of Directors  
United States Competition Climbing  
Boulder, CO

In planning and performing our audit of the financial statements of United States Competition Climbing for the year ended August 31, 2013, we considered the Organization's internal control structure to determine the nature and extent of our audit procedures. Our consideration and audit was not performed to expressly provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 30, 2014, on the financial statements of the United States Competition Climbing

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization, and should not be used for any other purpose.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by the Organization's personnel during our review. We would be pleased to discuss our recommendations and provide any assistance you may desire in its implementation.

Sincerely,

MIDDLEMIST, CROUCH AND COMPANY, CPA's P.C.

Catherine Middlemist, CPA

### INTERNAL CONTROL

We noted the following strengths in the internal control structure of United States Competition Climbing:

- Organization uses an outside bookkeeper
- Bookkeeper does not have any check signing authority
- A budget is maintained and compared to actual results by the Board of Directors
- Payroll is performed by outside service

We noted the following weaknesses in the internal control structure of the Organization:

- Bank reconciliations are not consistently reviewed by the Treasurer
- Cash disbursement records did not consistently contain all supporting documentation

We recommend the following:

- Bank statements and reconciliation reports should be reviewed monthly by the Treasurer
- Cash disbursement records should consist of the original vendor invoice, payment check stub, authorization signature, and coding

### ACCOUNTING POLICIES

During our audit we noted the following areas of accounting policies where improvements could be made:

- Fixed asset capitalization
- Recognition of membership dues
- Recognition of in-kind donations

We recommend the following:

- Adopting a capitalization policy for fixed assets
- Consider a policy to record prepaid dues as a liability until earned
- Adopt a policy for recognition of in-kind donations according to GAAP for non-profits

### ACCOUNTING RECORDS

During our audit we noted that minutes of the meetings of the board of directors and committees are not always being recorded consistently and in proper format. Minutes provide documentation of issues discussed and decisions made and are a necessary component of governance.

- We recommend that the board keep minutes of every meeting, and every committee meeting, and that the minutes be formally written and approved at the next meeting.

### FINANCIAL REPORTING OVERSIGHT

During our audit we noted the following areas of financial reporting oversight where improvements could be made:

- Board oversight of the financial reporting and audit process.
- Staff knowledge of the financials and audit process.

We recommend the following:

- Either establish an audit committee or assign a board member with a good understanding of accounting to be the contact person for the audit and to oversee the audit.
- We expect this to improve with a more stable staff. Oversight by an audit committee or board member with a strong accounting background should also help.