

USA CLIMBING  
FINANCIAL STATEMENTS  
AUGUST 31, 2019

USA CLIMBING

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:  
USA Climbing  
Boulder, Colorado

We have audited the accompanying financial statements of USA Climbing (a not-for-profit organization), which comprise the statement of financial position as of August 31, 2019, 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 USA Climbing as of August 31, 2018, 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 USA Climbing's August 31, 2018 financial statements, and our report dated January 8, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Middlemist Crouch & Company, CPAs P.C.*  
MIDDLEMIST, CROUCH & CO., CPAs P.C.

Boulder, Colorado  
December 2, 2019

FINANCIAL STATEMENTS

USA CLIMBING  
Statement of Financial Position  
August 31, 2019

(with summarized financial information for the year ended August 31, 2018)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 517,275	\$ 357,478
Accounts receivable	40,794	71,707
Prepaid expenses	22,539	76,572
Total current assets	580,608	505,757
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	171,471	172,180
Less accumulated depreciation	(64,544)	(49,857)
Net property and equipment	106,927	122,323
<b>Total assets</b>	\$ 687,535	\$ 628,080
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 93,100	\$ 15,816
Credit cards payable	12,087	4,896
Accrued payroll liabilities	82,245	-
Deferred revenue	260	173,539
Total current liabilities	187,692	194,251
<b>NET ASSETS</b>		
Without Donor Restrictions	499,843	433,829
Total net assets	499,843	433,829
<b>Total liabilities &amp; net assets</b>	\$ 687,535	\$ 628,080

See accompanying notes to financial statements

USA CLIMBING  
Statement of Activities  
For the year ended August 31, 2019  
(with summarized financial information for the year ended August 31, 2018)

	<u>2019</u>	<u>2018</u>
Public Support and Revenue		
Entry and sanctioning fees	\$ 2,179,536	\$ 1,904,414
Sponsorship	968,338	531,736
Membership dues	827,265	716,826
Contributions	267,198	67,908
Contributions in-kind	50,000	43,358
Other revenue	24,215	62,436
Merchandise sales, net	11,351	17,795
Gain on disposal of fixed assets	(1,070)	-
Investment income	226	187
Total public support and revenue	<u>4,327,059</u>	<u>3,344,660</u>
Functional expenses		
Program services	3,372,989	2,744,468
Management and general	792,078	611,215
Fundraising	95,978	25,087
Total functional expenses	<u>4,261,045</u>	<u>3,380,770</u>
Increase in net assets without donor restrictions	66,014	(36,110)
NET ASSETS--BEGINNING OF YEAR	<u>433,829</u>	<u>469,939</u>
NET ASSETS--END OF YEAR	<u>\$ 499,843</u>	<u>\$ 433,829</u>

See accompanying notes to financial statements

USA CLIMBING  
Statement of Functional Expenses  
For the year ended August 31, 2019  
(with summarized financial information for the year ended August 31, 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 240,716	\$ 305,977	\$ 16,000	\$ 562,693	408,726
Payroll taxes	10,790	46,100	300	57,190	33,400
Retirement plan	909	7,207	150	8,266	8,231
Employee benefits	13,829	25,468	-	39,297	51,401
Payroll processing	-	4,266	50	4,316	4,216
Total Personnel Costs	<u>\$ 266,244</u>	<u>\$ 389,018</u>	<u>\$ 16,500</u>	<u>\$ 671,762</u>	<u>\$ 505,974</u>
Administration	80,742	5,306	-	86,048	80,082
Bank fees	-	3,653	-	3,653	4,296
Computers and telephone	-	51,012	-	51,012	56,315
Contract labor	270,157	70,015	-	340,172	254,674
Event competitor expense	109,095	-	-	109,095	90,587
Insurance	108,830	20,974	-	129,804	91,713
International expenses	70,445	-	-	70,445	87,870
Merchandise	6,885	-	-	6,885	8,950
Office supplies and postage	-	13,247	-	13,247	10,330
Online registration service fees	104,496	57,923	-	162,419	138,747
Professional fees	14,040	86,385	50,376	150,801	158,925
Promotion	431,717	15,582	-	447,298	271,549
Rent	5,441	21,765	-	27,206	48,111
Shipping	27,238	-	-	27,238	21,548
Travel	540,664	55,670	29,102	\$ 625,436	385,210
Venue	1,262,543	-	-	1,262,543	1,101,915
Venue supplies	58,808	-	-	58,808	46,767
Total expenses before depreciation	<u>\$ 3,357,344</u>	<u>\$ 790,549</u>	<u>\$ 95,978</u>	<u>\$ 4,243,871</u>	<u>\$ 3,363,563</u>
Percentage of expenses before depreciation	79.11%	18.63%	2.26%	100.00%	
Depreciation	<u>15,645</u>	<u>1,529</u>	<u>-</u>	<u>17,174</u>	<u>17,207</u>
Total expenses	<u><u>\$ 3,372,989</u></u>	<u><u>\$ 792,078</u></u>	<u><u>\$ 95,978</u></u>	<u><u>\$ 4,261,045</u></u>	<u><u>\$ 3,380,770</u></u>

See accompanying notes to financial statements



USA CLIMBING  
Statement of Cash Flows  
For the year ended August 31, 2019  
(with summarized financial information for the year ended August 31, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 66,014	\$ (36,110)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	17,174	17,207
Loss on disposal of assets	1,070	-
Donations in-kind	(50,000)	(43,358)
Expenses in-kind	50,000	43,358
Decrease in accounts receivable	30,913	41,070
(Increase) decrease in prepaid expenses	54,033	(8,970)
Increase in accounts payable	77,284	15,665
Increase in credit cards payable	7,191	4,467
Increase (decrease) in accrued payroll liabilities	82,245	(29,441)
Increase (decrease) in deferred revenue	(173,279)	104,279
Net cash provided by operating activities	<u>162,645</u>	<u>108,167</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(2,848)</u>	<u>(10,517)</u>
Net cash (used) by investing activities	(2,848)	(10,517)
 NET INCREASE IN CASH	159,797	97,650
 CASH AT BEGINNING OF YEAR	<u>357,478</u>	<u>259,828</u>
 CASH AT END OF YEAR	<u>\$ 517,275</u>	<u>\$ 357,478</u>
 Supplemental Cash Flow Information:		
Donated supplies	\$ 32,000	\$ 43,358
Donated airfare	\$ 18,000	\$ -

See accompanying notes to financial statements

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

Organization and Nature of Activities

USA Climbing (USAC) is a non-profit corporation licensed pursuant to the laws of the State of Utah. USAC operates for charitable and educational purposes 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 the growth and success of the sport of competition climbing in the United States while supporting the well-being of participants and generating sustained competitive excellence for United States athletes in international competition.

On October 16, 2017, the organization was notified by the United States Olympic Committee of their approval of USA Climbing as the National Governing Body for the sport of Sport Climbing in the United States.

As of November 1, 2018, the organization moved its headquarters from Boulder Colorado to Salt Lake City Utah.

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

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, membership dues, event entry fees, merchandise sales, and receiving income from investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from contributions that are received with donor stipulations that limit their use until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

This presentation is a change from prior periods as required by the Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) No. 2016-14 effective for fiscal years beginning after December 15, 2017. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 of at least \$1,000 are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

Contribution Revenue

Contributions are recognized when received or when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 over the applicable membership period.

Donated Materials and Services

Donated materials and equipment are reflected as contributions at their estimated values at date of receipt. Donated services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated.

Accounts Receivable

USAC uses the allowance method to determine uncollectible receivables. USAC considers all receivables at August 31, 2019, 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, expenses by function have been allocated among program and supporting services classifications on the basis of specific identification of actual expenses incurred.

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 2015.

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.

USA CLIMBING  
Notes to Financial Statements  
August 31, 2019

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**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31:

	<u>2019</u>	<u>2018</u>
Climbing wall	\$ 41,000	\$ 41,000
Office equipment	10,103	10,813
Climbing equipment	120,368	120,367
Less accumulated depreciation	<u>(64,544)</u>	<u>(49,857)</u>
Net property and equipment	<u>\$ 106,927</u>	<u>\$ 122,323</u>

Depreciation expense for the years ended August 31, 2019 and 2018 was \$17,174 and \$17,207.

**NOTE 3 – CONCENTRATIONS OF CREDIT RISK**

USAC maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of August 31, 2019 the balance on deposit exceeded the FDIC insurance limit by \$267,009 and as of August 31, 2018 by \$107,478. Management does not believe this concentration of cash results in a high level of risk for the Organization.

**NOTE 4 – OPERATING LEASES**

The Organization leased office space in Boulder Colorado through October 31, 2018. Base rent was \$1,376 per month. As of October 30, 2018, USAC leases office space in Salt Lake City Utah on a month to month basis for \$1,158 per month. Rent expense for office space was \$10,517 and \$15,349 for the years ended August 31, 2019 and 2018, respectively.

The Organization leased storage space in Lafayette Colorado through April 30, 2019. Base rent was \$1,335 per month. As of March 5, 2019, USAC leases warehouse space in Salt Lake City Utah on a month to month basis for \$6,000 per month. Rent expense for storage and warehouse space was \$46,680 and \$16,020 for the years ended August 31, 2019 and 2018, respectively.

USAC signed a non-cancellable operating lease for the Salt Lake City Utah office space which became effective mid-September 2019 and runs for 36 months after the initial partial month. The initial base rent is \$2,710 per month.

Future minimum office lease payments for the years ending August 31 are as follows:

2020	\$31,165
2021	\$33,414
2022	\$34,410
2023	\$ 2,874

**NOTE 5 - DONATED MATERIALS AND SERVICES**

During the years ended August 31, the contributions in-kind revenue consisted of the following:

	<u>2019</u>	<u>2018</u>
Donated supplies	\$ 32,000	\$ 43,358
Donated airfare	18,000	-
Total contributions in-kind	<u>\$ 50,000</u>	<u>\$ 43,358</u>

USA CLIMBING  
Notes to Financial Statements  
August 31, 2019

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**NOTE 6 – RETIREMENT PLAN**

USAC offers a SIMPLE IRA plan to all eligible employees. Each participant may elect to contribute up to the maximum limit by federal law. USAC matches up to 100% of full-time employee contributions up to a maximum of 3% of the employee's salary and bonus compensation. Employer contributions totaled \$8,266 and \$8,231 for the years ended August 31, 2019 and 2018 respectively.

**NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization monitors its liquidity so that it is able to meet its operating cash needs and other commitments without the need to borrow funds. The following reflects USAC's financial assets as of the statement of financial position date reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	2019	2018
Cash and cash equivalents	\$ 517,275	\$ 357,478
Accounts receivable	40,794	71,707
Total assets available for operations	<u>\$ 558,069</u>	<u>\$ 429,185</u>

**NOTE 8 – RECLASSIFICATION**

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

**NOTE 9 - SUBSEQUENT EVENTS**

USAC management evaluated its August 31, 2019 financial statements for subsequent events through December 2, 2019, which is the date the financial statements were available to be issued. 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, 2019.