

USA CLIMBING  
FINANCIAL STATEMENTS  
AUGUST 31, 2020

USA CLIMBING

Table of Contents

August 31, 2020

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 11

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:  
USA Climbing  
Salt Lake City, Utah

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, 2020, 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, 2020, 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, 2019 financial statements, and our report dated December 2, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Middlemist Crouch & Company, CPAs PC*

MIDDLEMIST, CROUCH & CO., CPAs, P.C.  
Boulder, Colorado  
December 2, 2020

FINANCIAL STATEMENTS

USA CLIMBING  
Statement of Financial Position  
August 31, 2020

(with summarized financial information for the year ended August 31, 2019)

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 541,908	\$ 517,275
Accounts receivable	360,014	40,794
Prepaid expenses	47,612	22,539
Total current assets	949,534	580,608
 <b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	217,544	171,471
Less accumulated depreciation	(85,189)	(64,544)
Net property and equipment	132,355	106,927
 <b>Total assets</b>	<b>\$ 1,081,889</b>	<b>\$ 687,535</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 28,673	\$ 93,100
Credit cards payable	18,320	12,087
Accrued payroll liabilities	107,967	82,245
Deferred revenue	43,333	260
PPP loan	10,000	-
Total current liabilities	208,293	187,692
 <b>LONG-TERM LIABILITIES</b>		
EIDL loan	150,000	-
Total long-term liabilities	150,000	-
 <b>Total liabilities</b>	358,293	187,692
 <b>NET ASSETS</b>		
Without Donor Restrictions	723,596	499,843
Total net assets	723,596	499,843
 <b>Total liabilities &amp; net assets</b>	<b>\$ 1,081,889</b>	<b>\$ 687,535</b>

See accompanying notes to financial statements

USA CLIMBING  
Statement of Activities  
For the year ended August 31, 2020  
(with summarized financial information for the year ended August 31, 2019)

	2020	2019
Public Support and Revenue		
Entry fees	\$ 1,077,054	\$ 2,179,536
Sponsorship	1,252,932	968,338
Membership dues	1,002,765	827,265
Contributions	230,431	267,198
Contributions in-kind	84,561	50,000
Government grants	188,700	-
Other revenue	11,223	24,215
Merchandise sales, net	10,386	11,351
Gain on disposal of fixed assets	-	(1,070)
Investment income	208	226
Total public support and revenue	3,858,260	4,327,059
Functional expenses		
Program services	2,780,236	3,372,989
Management and general	772,621	792,078
Fundraising	81,650	95,978
Total functional expenses	3,634,507	4,261,045
Increase in net assets without donor restrictions	223,753	66,014
NET ASSETS--BEGINNING OF YEAR	499,843	433,829
NET ASSETS--END OF YEAR	\$ 723,596	\$ 499,843

See accompanying notes to financial statements

USA CLIMBING  
Statement of Functional Expenses  
For the year ended August 31, 2020  
(with summarized financial information for the year ended August 31, 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries and wages	\$ 498,582	\$ 359,573	\$ 40,904	\$ 899,059	562,693
Payroll taxes	36,582	26,383	3,001	65,967	57,190
Retirement plan	4,809	4,862	-	9,671	8,266
Employee benefits	40,853	29,463	3,352	73,667	39,297
Payroll processing	-	5,980	-	5,980	4,316
Total Personnel Costs	<u>\$ 580,826</u>	<u>\$ 426,261</u>	<u>\$ 47,257</u>	<u>\$ 1,054,344</u>	<u>\$ 671,762</u>
Administration	200,427	26,812	17,066	244,305	86,048
Bank fees	58,377	-	-	58,377	3,653
Computers and telephone	-	67,824	-	67,824	51,012
Contract labor	192,986	30,735	-	223,721	340,172
Event competitor expense	-	-	-	-	109,095
Insurance	80,488	3,370	-	83,858	129,804
International expenses	25,631	-	-	25,631	70,445
Merchandise	-	-	-	-	6,885
Office supplies and postage	-	11,079	-	11,079	13,247
Online registration service fees	41,243	-	-	41,243	162,419
Professional fees	-	89,182	-	89,182	150,801
Promotion	377,373	29,110	-	406,483	447,298
Rent	74,000	53,244	-	127,244	27,206
Shipping	55,577	-	-	55,577	27,238
Travel	321,908	33,146	17,327	\$ 372,381	625,436
Venue	664,883	-	-	664,883	1,262,543
Venue supplies	87,730	-	-	87,730	58,808
Total expenses before depreciation	<u>\$ 2,761,449</u>	<u>\$ 770,763</u>	<u>\$ 81,650</u>	<u>\$ 3,613,862</u>	<u>\$ 4,243,871</u>
Percentage of expenses before depreciation	76.41%	21.33%	2.26%	100.00%	
Depreciation	<u>18,787</u>	<u>1,858</u>	<u>-</u>	<u>20,645</u>	<u>17,174</u>
Total expenses	<u><u>\$ 2,780,236</u></u>	<u><u>\$ 772,621</u></u>	<u><u>\$ 81,650</u></u>	<u><u>\$ 3,634,507</u></u>	<u><u>\$ 4,261,045</u></u>

See accompanying notes to financial statements



USA CLIMBING  
Statement of Cash Flows  
For the year ended August 31, 2020  
(with summarized financial information for the year ended August 31, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 223,753	\$ 66,014
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	20,645	17,174
Loss on disposal of assets	-	1,070
Donations in-kind	(84,561)	(50,000)
Expenses in-kind	84,561	50,000
(Increase) decrease in accounts receivable	(319,220)	30,913
(Increase) decrease in prepaid expenses	(25,073)	54,033
Increase (decrease) in accounts payable	(64,427)	77,284
Increase (decrease) in credit cards payable	6,233	7,191
Increase in accrued payroll liabilities	25,722	82,245
Increase (decrease) in deferred revenue	43,073	(173,279)
Net cash provided by operating activities	<u>(89,294)</u>	<u>162,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(46,073)</u>	<u>(2,848)</u>
Net cash (used) by investing activities	(46,073)	(2,848)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP loan proceeds	10,000	-
EIDL loan proceeds	<u>150,000</u>	<u>-</u>
Net cash used by financing activities	160,000	-
NET INCREASE IN CASH	24,633	159,797
CASH AT BEGINNING OF YEAR	<u>517,275</u>	<u>357,478</u>
CASH AT END OF YEAR	<u>\$ 541,908</u>	<u>\$ 517,275</u>
Supplemental Cash Flow Information:		
Donated supplies	\$ 84,561	\$ 32,000
Donated airfare	\$ -	\$ 18,000

See accompanying notes to financial statements

USA CLIMBING  
Notes to Financial Statements  
August 31, 2020

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**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.

**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 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.

USA CLIMBING  
Notes to Financial Statements  
August 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Entry fees received in advance for future events or services are recorded as deferred revenue. Recognition occurs when the event takes place or the work is performed. 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, 2020, 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 2017.

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>2020</u>	<u>2019</u>
Climbing wall	\$ 41,000	\$ 41,000
Office equipment	15,868	10,103
Office furniture	11,838	-
Leasehold improvements	1,786	-
Climbing equipment	147,052	120,368
Less accumulated depreciation	<u>(85,189)</u>	<u>(64,544)</u>
Net property and equipment	<u>\$ 132,355</u>	<u>\$ 106,927</u>

Depreciation expense for the years ended August 31, 2020 and 2019 was \$20,645 and \$17,174.

USA CLIMBING  
Notes to Financial Statements  
August 31, 2020

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**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, 2020 the balance on deposit exceeded the FDIC insurance limit by \$134,915 and as of August 31, 2019 by \$267,009. Management does not believe this concentration of cash results in a high level of risk for the Organization.

**NOTE 4 - OPERATING LEASES**

USAC leases office space in Salt Lake City Utah under a 36 month lease expiring September 30, 2022. The initial base rent is \$2,710 per month plus expenses with annual increases of 3%. In February 2020, the lease was amended to include an additional 300 square feet and increase the base rent by \$300 to \$3,010 per month. All other terms remain the same. Rent expense for office space was \$53,244 and \$10,517 for the years ended August 31, 2020 and 2019, respectively.

The Organization also leases warehouse space in Salt Lake City Utah on a month to month basis for \$7,000 per month. The space is used as a training center and for storage. Rent expense for warehouse space was \$74,000 and \$46,680 for the years ended August 31, 2020 and 2019, respectively.

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

2021	\$37,014
2022	\$38,010
2023	\$ 3,174

**NOTE 5 - DONATED MATERIALS AND SERVICES**

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

	2020	2019
Donated supplies	\$ 84,561	\$ 32,000
Donated airfare	-	18,000
Total contributions in-kind	\$ 84,561	\$ 50,000

**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 \$9,671 and \$8,266 for the years ended August 31, 2020 and 2019 respectively.

**NOTE 7 - FINANCIAL RISK DUE TO COVID-19**

USAC's operations and financial income are heavily dependent on event revenue, memberships, and sponsorship support from partners. It is possible that the COVID-19 outbreak could negatively impact event revenue if events are to be cancelled or downsized. Likewise, COVID-19 may have unpredictable effects on market conditions in the outdoor and sport-related industries, yielding a risk to USAC's partners' ability to maintain sponsorship support. The organization foresees that in-person climbing events will resume with precautionary measures in fiscal year 2020-2021. Our approved budget for 2020-2021 is reflective of the expected revenue given the circumstances surrounding COVID-19 at this time, to the best knowledge of USAC management.

USA CLIMBING  
Notes to Financial Statements  
August 31, 2020

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**NOTE 8 - 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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 541,908	\$ 517,275
Accounts receivable	360,014	40,794
Total assets available for operations	<u>\$ 901,922</u>	<u>\$ 558,069</u>

**NOTE 9 - EIDL PROGRAM**

In April 2020, the Organization applied for government assistance under the Economic Injury Disaster Loan (EIDL) program established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). The loan program is available to businesses experiencing negative economic impacts due to COVID-19. EIDL applicants can receive an immediate advance of up to \$10,000 in the form of a government grant that is not a loan. USAC received a \$10,000 advance in April 2020 and an EIDL of \$150,000 on June 10, 2020. The loan is payable over 30 years at an interest rate of 2.75%. Payments of \$641 per month are due starting 12 months from the loan date. All assets of the organization are pledged as collateral.

**NOTE 10 - PAYCHECK PROTECTION PROGRAM**

On April 13, 2020, the Organization received \$188,700 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides for government assistance to qualifying businesses. The money is not required to be returned as long as the funds are used for eligible purposes under the program which include payroll, employee benefits, rent and utilities. Additionally the recipient is required to maintain its payroll levels. To the extent that the requirements are not met, the PPP funds must be repaid over two years at an interest rate of 1%. A provision in the CARES Act regarding duplication of use of funds does not allow PPP forgiveness to the extent that the recipient also received an EIDL grant.

USAC has chosen to account for the PPP funds as a conditional government grant in accordance with ASC 958-605 accounting for contributions. As such, the Organization initially recorded the PPP funds as a conditional advance followed by a reduction in the advance and recognition of revenue as the conditions were substantially met.

As of the fiscal year ended August 31, 2020, USAC has recognized \$178,700 of the PPP funds as revenue and reported a current liability of \$10,000 equal to the EIDL grant amount not eligible for PPP forgiveness.

**NOTE 11 - SUBSEQUENT EVENTS**

USAC management evaluated its August 31, 2020 financial statements for subsequent events through December 2, 2020, 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, 2020.