

USA Climbing and USA Climbing Foundation

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Years Ended August 31, 2021 and 2020



USA CLIMBING AND USA CLIMBING FOUNDATION

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Independent Auditor's Report

To the Board of Directors
USA Climbing and USA Climbing Foundation

Opinion

We have audited the accompanying consolidated financial statements of **USA Climbing and USA Climbing Foundation** (a nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **USA Climbing and USA Climbing Foundation** as of August 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of **USA Climbing and USA Climbing Foundation** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The financial statements of **USA Climbing** as of August 31, 2021, were audited by other auditors whose report dated December 2, 2020, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **USA Climbing and USA Climbing Foundation's** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **USA Climbing and USA Climbing Foundation's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **USA Climbing and USA Climbing Foundation's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Larson & Company P.C." in a cursive script.

Salt Lake City, Utah
December 21, 2021

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statements of Financial Position

As of August 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 412,140	\$ 541,908
Accounts receivable	275,062	360,014
Employee retention credit receivable	267,630	-
Prepaid expenses	32,944	47,612
Total current assets	987,776	949,534
Property and equipment, net	303,137	132,355
Total assets	\$ 1,290,913	\$ 1,081,889
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 118,271	\$ 28,673
Credit cards payable	21,062	18,320
Accrued payroll and related liabilities	116,592	107,967
Deferred revenue	319,420	43,333
PPP loan	-	10,000
Total current liabilities	575,345	208,293
Long-term liabilities:		
EIDL loan	150,000	150,000
Total liabilities	725,345	358,293
Net assets:		
Without donor restriction	87,273	723,596
With donor restriction	478,295	-
Total net assets	565,568	723,596
Total liabilities and net assets	\$ 1,290,913	\$ 1,081,889

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statement of Activities
For the Year Ended August 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Change in net assets:			
Public support and revenue:			
Entry fees	\$ 1,160,808	\$ -	\$ 1,160,808
Sponsorship	1,590,830	-	1,590,830
Membership dues	456,185	-	456,185
Contributions	38,735	210,665	249,400
Contributions in-kind	281,062	-	281,062
Government grants	194,000	267,630	461,630
Other revenue	63,492	-	63,492
Merchandise sales, net	(6,734)	-	(6,734)
Investment income	125	-	125
Total public support and revenue	3,778,503	478,295	4,256,798
Functional expenses:			
Program services	3,512,118	-	3,512,118
Management and general	867,922	-	867,922
Supporting services	34,786	-	34,786
Total functional expenses	4,414,826	-	4,414,826
Total change in net assets	(636,323)	478,295	(158,028)
Net assets, beginning of year	723,596	-	723,596
Net assets, end of year	\$ 87,273	\$ 478,295	\$ 565,568

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statement of Activities
For the Year Ended August 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Change in net assets:			
Public support and revenue:			
Entry fees	\$ 1,077,054	\$ -	\$ 1,077,054
Sponsorship	1,252,932	-	1,252,932
Membership dues	1,002,765	-	1,002,765
Contributions	230,431	-	230,431
Contributions in-kind	84,561	-	84,561
Government grants	188,700	-	188,700
Other revenue	11,223	-	11,223
Merchandise sales, net	10,386	-	10,386
Investment income	208	-	208
Total public support and revenue	3,858,260	-	3,858,260
Functional expenses:			
Program services	2,780,236	-	2,780,236
Management and general	772,621	-	772,621
Supporting services	81,650	-	81,650
Total functional expenses	3,634,507	-	3,634,507
Total change in net assets	223,753	-	223,753
Net assets, beginning of year	499,843	-	499,843
Net assets, end of year	\$ 723,596	\$ -	\$ 723,596

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 695,089	\$ 262,845	\$ 29,192	\$ 987,126
Payroll taxes	51,727	19,560	2,172	73,459
Retirement plan	8,183	8,689	787	17,659
Employee benefits	57,763	21,843	2,426	82,032
Payroll processing	-	6,019	-	6,019
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel costs	812,762	318,956	34,577	1,166,295
Administration	337,062	77,434	209	414,705
Bad debt	-	5,000	-	5,000
Bank fees	538	34,909	-	35,447
Computers and telephone	-	124,885	-	124,885
Contract labor	334,404	3,000	-	337,404
Insurance	27,147	124,780	-	151,927
International expenses	16,003	-	-	16,003
Office supplies and postage	-	7,573	-	7,573
Online registration service fees	45,912	-	-	45,912
Professional fees	31,080	61,528	-	92,608
Promotion	273,975	14,638	-	288,613
Rent	84,000	55,714	-	139,714
Shipping	54,061	-	-	54,061
Travel	489,118	33,447	-	522,565
Venue	907,226	-	-	907,226
Venue supplies	71,143	-	-	71,143
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	3,484,431	861,864	34,786	4,381,081
Percentage of expenses before depreciation	79%	20%	1%	100%
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	27,687	6,058	-	33,745
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 3,512,118</u>	<u>\$ 867,922</u>	<u>\$ 34,786</u>	<u>\$ 4,414,826</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2020

	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 498,582	\$ 359,573	\$ 40,904	\$ 899,059
Payroll taxes	36,582	26,383	3,001	65,966
Retirement plan	4,809	4,862	-	9,671
Employee benefits	40,853	29,463	3,352	73,668
Payroll processing	-	5,980	-	5,980
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel costs	580,826	426,261	47,257	1,054,344
Administration	200,427	26,812	17,066	244,305
Bank fees	58,377	-	-	58,377
Computers and telephone	-	67,824	-	67,824
Contract labor	192,986	30,735	-	223,721
Insurance	80,488	3,370	-	83,858
International expenses	25,631	-	-	25,631
Office supplies and postage	-	11,079	-	11,079
Online registration service fees	41,243	-	-	41,243
Professional fees	-	89,182	-	89,182
Promotion	377,373	29,110	-	406,483
Rent	74,000	53,244	-	127,244
Shipping	55,577	-	-	55,577
Travel	321,908	33,146	17,327	372,381
Venue	664,883	-	-	664,883
Venue supplies	87,730	-	-	87,730
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	2,761,449	770,763	81,650	3,613,862
Percentage of expenses before depreciation	<hr/> <u>76%</u>	<hr/> <u>22%</u>	<hr/> <u>2%</u>	<hr/> <u>100%</u>
Depreciation	<hr/> <u>18,787</u>	<hr/> <u>1,858</u>	<hr/> <u>-</u>	<hr/> <u>20,645</u>
Total expenses	<hr/> <u><u>\$ 2,780,236</u></u>	<hr/> <u><u>\$ 772,621</u></u>	<hr/> <u><u>\$ 81,650</u></u>	<hr/> <u><u>\$ 3,634,507</u></u>

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Consolidated Statements of Cash Flows
For the Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (158,028)	\$ 223,753
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	33,745	20,645
Contributions in-kind	(281,062)	(84,561)
Expenses in-kind	95,112	84,561
Forgiveness of PPP loan	(10,000)	-
(Increase) decrease in assets:		
Accounts receivable	84,952	(319,220)
Employee retention credit receivable	(267,630)	-
Prepaid expenses	14,668	(25,073)
Increase (decrease) in liabilities:		
Accounts payable	89,598	(64,427)
Credit cards payable	2,742	6,233
Accrued payroll and related liabilities	8,625	25,722
Deferred revenue	276,087	43,073
Net cash flows from operating activities	(111,191)	(89,294)
Cash flows from investing activities:		
Purchases of property and equipment	(18,577)	(46,073)
Net cash flows from investing activities	(18,577)	(46,073)
Cash flows from financing activities		
PPP loan proceeds (repayment)	-	10,000
EIDL loan proceeds	-	150,000
Net cash flows from financing activities	-	160,000
Net change in cash and cash equivalents	(129,768)	24,633
Cash and cash equivalents, beginning of year	541,908	517,275
Cash and cash equivalents, end of year	\$ 412,140	\$ 541,908
Supplemental disclosure of cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

The accompanying notes to the consolidated financial statements are an integral part of these statements

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

USA Climbing and USA Climbing Foundation (collectively the “Organization”) are non-profit corporations licensed pursuant to the laws of the State of Utah. The Organization operates for charitable and educational purposes to foster national and international sports competition in the sport of competition climbing. The Organization operates consistent with and maintains a tax-exempt status in accordance with section 501(c)(3) of the Internal Revenue Service. The mission of the Organization 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. The USA Climbing Foundation is the philanthropic arm of the Organization and endeavors to provide support for USA Climbing.

The United States Olympic Committee has approved USA Climbing as the National Governing Body for the sport of Sport Climbing in the United States. The Organization is headquartered in Salt Lake City Utah.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of USA Climbing and USA Climbing Foundation, which are affiliated by virtue of economic interest and common control. All intercompany balances and transactions have been eliminated upon consolidation.

Recent Developments Related to COVID-19

The World Health Organization has declared the recent COVID-19 outbreak to constitute a “Public Health Emergency of International Concern.” The outbreak has caused business disruption through mandated and voluntary closings of various industry business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. At this point, the extent to which COVID-19 may continue to impact the Organization’s financial condition or results of operations is uncertain.

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States for nonprofit organizations and reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based upon the following criteria:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where-by the donor has stipulated the funds be maintained in perpetuity.

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Adoption of New Accounting Standards

For the year ended August 31, 2021, the Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenues have been enhanced in accordance with this standard.

Additionally, the Organization adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. This update has been applied retrospectively to all periods presented. However, the revenue recognized in prior periods was not modified as a result of adopting this guidance retrospectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization 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.

Concentrations

The Organization maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

Accounts Receivable

Accounts receivable and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts, when applicable, are computed using various rates applicable to the years in which promises are received. Discounts are amortized between the date the promise to give is recognized and the date the cash or other contributed assets are received.

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Retention Credit Receivable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes. We accounted for the Employee Retention Credit as a government grant in accordance with Accounting Standards Update 2013-06, *Not-for-Profit Entities (Topic 958)* ("ASU 2013-06") by analogy under ASC 105-10-05-2. Under this standard, government grants are recognized when the conditions or conditions on which they depend are substantially met. Based on this criteria, during the year ended August 31, 2021 the Organization recognized \$267,630 as support and revenue on the Statement of Activities.

Property and Equipment

Property and equipment are stated at cost. Repairs and maintenance are expensed as incurred, whereas major improvements are capitalized. If donated, property and equipment are recorded at the approximate fair value on the date of donation. The Organization's capitalization policy is to capitalize property and equipment with a cost or donated fair value equal to or greater than \$1,000.

Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Useful Lives</u>
Climbing wall	10 years
Office equipment	5 years
Office furniture	7 years
Leasehold improvements	3 years
Climbing equipment	5-10 years

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the years ended August 31, 2021 and 2020.

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sponsorship Revenue

Sponsorship revenue is recognized when services are provided. Revenue is reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the auxiliary services.

During the years ended August 31, 2021 and 2020, the Organization entered into sponsorship contracts which require that the Organization fulfill certain performance obligations over the term of the contract. Amounts received in excess of earned income have been recognized as deferred revenue on the Consolidated Statements of Financial Position.

Grant Revenue

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions, Dues, and Entry Fees

Contributions from various sources are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions, Dues, and Entry Fees (Continued)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized.

In-Kind Donations

In-kind donations of property, equipment, supplies and other goods and services are recorded as support at the estimated fair value on the date of gift. These donations are recorded as support without donor restrictions unless they have been restricted for a specific time or purpose in which case they are recorded as support with donor restrictions. When the time or purpose restriction is met they are released and reported as satisfactions of restrictions. For the years ended August 31, 2021 and 2020 the Organization received donated goods of **\$281,062** and \$84,561, respectively, which were used primarily in programs.

If the Organization is the recipient of donated services that create or enhance non-financial assets, require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by volunteers, the services are recorded at their fair value in the year they are performed. No such services were received during the years ended August 31, 2021 and 2020.

Many individuals volunteer their time and effort in support of the Organization's programs. The value of these donated services is not recorded in the financial statements as the services do not meet the criteria for recognition as in-kind contributions under U.S. generally accepted accounting principles as described above.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. Likewise, the statements of functional expense present the natural classification detail of expenses by function. All direct costs are charged to the applicable functional area. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and management costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code on the excess of revenue over expenses generated in the normal course of business. Contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A). Activities considered to be unrelated to the normal exempt purposes of the Organization are taxable as "unrelated business income." No tax was due for the years ending August 31, 2021 and 2020.

ASC Topic 740, *Income Taxes*, provides guidance on how uncertain tax positions should be recognized, measured, disclosed, and presented in the financial statements. This requires the evaluation by management of tax positions taken or expected to be taken in preparation of the Organization's tax returns to determine if the positions are more-likely-than-not of being sustained if examined by the taxing authorities. Management has determined there are no uncertain income tax positions. Generally, tax years remain subject to examination for three years from the date filed.

Recently Issued Accounting Pronouncements

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2021. The Organization does not anticipate a significant impact on its results of operations, financial position, or cash flows as a result of this new standard.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. The amendments in this update require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. This new guidance is effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impacts this update will have on the presentation of its financial statements.

USA CLIMBING AND USA CLIMBING FOUNDATION

Notes to the Financial Statements
For the Years Ended August 31, 2021 and 2020

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 412,140	\$ 541,908
Accounts receivable	275,062	360,014
Total financial assets	687,202	901,922
Less: amounts required to meet donor restrictions	(478,295)	-
Financial assets available to meet general expenditures within one year	\$ 208,907	\$ 901,922

The Organization's net assets with donor restrictions of **\$478,295** and \$0 as of August 31, 2021 and 2020, respectively, are restricted based on time and purpose and are expected to be received and available for use within one year.

3. RETIREMENT PLAN

The Organization offers a SIMPLE IRA plan to all eligible employees. Each participant may elect to contribute up to the maximum limit by federal law. The Organization 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 **\$17,659** and \$9,671 for the years ended August 31, 2021 and 2020, respectively.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31, 2021 and 2020 consisted of the following:

	2021	2020
Climbing equipment	216,069	147,052
Climbing wall	174,950	\$ 41,000
Office equipment	17,428	15,868
Office furniture	11,838	11,838
Leasehold improvements	1,786	1,786
Total cost of property and equipment	422,071	217,544
Accumulated depreciation	(118,934)	(85,189)
Total property and equipment, net	\$ 303,137	\$ 132,355

Depreciation expense was **\$33,745** and \$20,645 for the years ended August 31, 2021 and 2020.

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5. PAYCHECK PROTECTION PROGRAM (PPP) LOAN PAYABLE

The Organization has received PPP loans established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the amounts of **\$184,000** and \$188,700 during the years ended August 31, 2021 and 2020, respectively. The Organization has elected to account for its PPP Loans in accordance with FASB ASC 958-605 as a conditional contribution and refundable advance. The advance liability is reduced and recognized as a contribution as the conditions of release have been met or explicitly waived. During the years ended August 31, 2021 and 2020, the Organization recognized **\$194,000** and \$178,700 of the PPP funds as revenue. As of August 31, 2021 and 2020 the Organization reported a current liability of **\$0** and \$10,000, respectively. The prior year liability was equal to the EIDL grant amount not eligible for PPP forgiveness.

6. EIDL LOAN PAYABLE

In April 2020, the Organization applied for government assistance under the Economic Injury Disaster Loan ("EIDL") program established as part of the 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. The Organization 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 24 months from the loan date. All assets of the Organization are pledged as collateral.

7. OPERATING LEASE

The Organization 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 **\$55,714** and \$53,244 for the years ended August 31, 2021 and 2020, 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 **\$84,000** and \$74,000 for the years ended August 31, 2021 and 2020, respectively.

Future minimum office lease payments are as follows:

Years ending August 31.

2022	\$	38,227
2023		3,193
Thereafter		-
Total future minimum payments	\$	41,420

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8. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Organization may be subject to various claims, actions, and complaints. In the opinion of management, the resolution of such matters will not have a material adverse effect on the Organization's financial position as of August 31, 2021.

Grants require the fulfillment of certain conditions as set forth in the instruments of the grant. Failure to fulfill the conditions could result in the grantors requiring the return of the funds or forfeiture of future cash receipts. Although the requirement to return funds is a possibility, the Organization deems the contingency remote because the Organization has met, and appears able to continue to meet, its obligations relating to the grants.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of August 31, 2021.

Competition and training events, time and purpose	\$	107,067
Education and certification program, time and purpose		17,533
Time restrictions		<u>353,695</u>
Total net assets with donor restrictions	\$	<u>478,295</u>

10. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2021, the Organization paid \$3,029 for services from a company owned by an employee of USA Climbing. During the year ended August 31, 2021, the Organization paid various expenses for travel related to USA Climbing events/meetings and competition related expenses to athletes who are also board members.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through the date of the audit report, which is the date the financial statements were available to be issued and noted nothing that would require disclosure.