

USA CLIMBING  
FINANCIAL STATEMENTS  
AUGUST 31, 2018

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, 2018, 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, 2017 financial statements, and our report dated January 18, 2018, 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, 2017, 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  
January 8, 2019

FINANCIAL STATEMENTS

USA CLIMBING  
Statement of Financial Position  
August 31, 2018

(with summarized financial information for the year ended August 31, 2017)

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 357,478	\$ 259,828
Accounts receivable	71,707	112,777
Prepaid expenses	76,572	67,602
Total current assets	505,757	440,207
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	172,180	161,663
Less accumulated depreciation	(49,857)	(32,650)
Net property and equipment	122,323	129,013
Total assets	\$ 628,080	\$ 569,220
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 15,816	\$ 151
Credit cards payable	4,896	429
Accrued payroll liabilities	-	29,441
Deferred revenue	173,539	69,260
Total current liabilities	194,251	99,281
<b>NET ASSETS</b>		
Unrestricted	433,829	469,939
Total net assets	433,829	469,939
Total liabilities & net assets	\$ 628,080	\$ 569,220

See accompanying notes to financial statements

USA CLIMBING  
Statement of Activities  
For the year ended August 31, 2018  
(with summarized financial information for the year ended August 31, 2017)

	<u>2018</u>	<u>2017</u>
Public Support and Revenue		
Entry and sanctioning fees	\$ 1,904,414	\$ 1,682,131
Sponsorship	531,736	240,119
Membership dues	716,826	646,050
Contributions	67,908	19,284
Contributions in-kind	43,358	74,858
Other revenue	62,436	22,582
Merchandise sales, net	17,795	16,356
Gain on disposal of fixed assets	-	970
Investment income	187	195
Total public support and revenue	<u>3,344,660</u>	<u>2,702,545</u>
 Functional expenses		
Program services	2,744,468	2,247,684
Management and general	611,215	449,176
Fundraising	25,087	18,717
Total functional expenses	<u>3,380,770</u>	<u>2,715,577</u>
 Increase in unrestricted net assets	(36,110)	(13,032)
 NET ASSETS--BEGINNING OF YEAR	<u>469,939</u>	<u>482,971</u>
 NET ASSETS--END OF YEAR	<u><u>\$ 433,829</u></u>	<u><u>\$ 469,939</u></u>

See accompanying notes to financial statements

USA CLIMBING  
Statement of Functional Expenses  
For the year ended August 31, 2018  
(with summarized financial information for the year ended August 31, 2017)

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Venue	\$ 1,170,230	\$ -	\$ -	\$ 1,170,230	\$ 993,683
Travel	367,959	17,251	-	385,210	289,900
Salaries and wages	224,799	163,490	20,436	408,726	298,229
Payroll taxes	18,370	13,360	1,669	33,400	22,143
Retirement plan	4,527	3,292	412	8,231	6,591
Employee benefits	28,272	20,560	2,570	51,401	47,388
Payroll processing	-	4,216	-	4,216	3,405
Rent	25,056	23,055	-	48,111	47,937
Professional fees	-	158,925	-	158,925	50,132
Office supplies and postage	-	10,330	-	10,330	13,063
Merchandise	8,950	-	-	8,950	4,635
Promotion	216,618	54,931	-	271,549	197,580
Insurance	91,514	199	-	91,713	52,640
International expenses	87,870	-	-	87,870	35,028
Event competitor expense	90,587	-	-	90,587	114,424
Contract labor	199,807	54,867	-	254,674	257,688
Computers and telephone	28,158	28,158	-	56,315	81,037
Online registration service fees	86,477	52,270	-	138,747	122,834
Bank fees	-	4,296	-	4,296	2,739
Administration	80,082	-	-	80,082	61,153
<b>Total expenses before depreciation</b>	<b>2,729,275</b>	<b>609,201</b>	<b>25,087</b>	<b>3,363,563</b>	<b>2,702,229</b>
<b>Percentage of expenses before depreciation</b>	<b>81.14%</b>	<b>18.11%</b>	<b>0.75%</b>	<b>100.00%</b>	
<b>Depreciation</b>	<b>15,193</b>	<b>2,014</b>	<b>-</b>	<b>17,207</b>	<b>13,348</b>
<b>Total expenses</b>	<b>\$ 2,744,468</b>	<b>\$ 611,215</b>	<b>\$ 25,087</b>	<b>\$ 3,380,770</b>	<b>\$ 2,715,577</b>

See accompanying notes to financial statements



USA CLIMBING  
Statement of Cash Flows  
For the year ended August 31, 2018  
(with summarized financial information for the year ended August 31, 2017)

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (36,110)	\$ (13,032)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	17,207	13,348
(Gain) loss on disposal of assets	-	(970)
Donations in-kind	(43,358)	(74,858)
Expenses in-kind	43,358	31,858
(Increase) decrease in accounts receivable	41,070	(21,597)
(Increase) decrease in prepaid expenses	(8,970)	7,998
Increase (decrease) in accounts payable	15,665	(2,554)
Increase (decrease) in credit cards payable	4,467	(4,106)
Increase (decrease) in accrued payroll liabilities	(29,441)	20,264
Increase (decrease) in deferred revenue	104,279	23,385
Net cash provided (used) by operating activities	<u>108,167</u>	<u>(20,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,517)	(19,629)
Sale of property and equipment	-	970
Net cash provided (used) by investing activities	<u>(10,517)</u>	<u>(18,659)</u>
NET INCREASE (DECREASE) IN CASH	97,650	(38,923)
CASH AT BEGINNING OF YEAR	<u>259,828</u>	<u>298,751</u>
CASH AT END OF YEAR	<u>\$ 357,478</u>	<u>\$ 259,828</u>
Supplemental Cash Flow Information:		
Donated supplies	\$ 43,358	\$ 25,000
Donated services	\$ -	\$ 6,858
Donated equipment	\$ -	\$ 43,000

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 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 the growth and success of the sport of competition climbing in the United States while 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.

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, the Organization 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 an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the donor's intent. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

USA CLIMBING  
Notes to Financial Statements  
August 31, 2018

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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.

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, 2018, 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 2014.

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>2018</u>	<u>2017</u>
Climbing wall	\$ 41,000	\$ 41,000
Office equipment	10,813	9,336
Climbing equipment	120,367	111,327
Less accumulated depreciation	<u>(49,857)</u>	<u>(32,650)</u>
Net property and equipment	<u>\$ 122,323</u>	<u>\$ 129,013</u>

Depreciation expense for the year ended August 31, 2018 and 2017 was \$17,207 and \$13,348.

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Notes to Financial Statements  
August 31, 2018

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**NOTE 3 – NET ASSETS**

USAC had no temporarily or permanently restricted net assets as of August 31, 2018.

**NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

USAC maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the balances may exceed the FDIC insurance limits.

**NOTE 5 – OPERATING LEASE**

The Organization leases office space in Boulder Colorado under a non-cancellable operating lease effective November 1, 2016 to October 31, 2018. Base rent is \$1,323 per month. Rent expense was \$15,349 and \$17,720 for the years ended August 31, 2018 and 2017, respectively.

The Organization also leases storage space in Lafayette Colorado under a non-cancellable operating lease effective March 1, 2017 to April 30, 2019. Base rent is \$1,335 per month. Rent expense was \$16,020 and \$6,340 for the years ended August 31, 2018 and 2017, respectively.

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

	<u>Office</u>	<u>Storage</u>
2019	\$2,646	\$10,680

**NOTE 6 – 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 such contracts are reviewed and approved by the Board of Directors or the Ethics Committee or Audit Committee in accordance with USAC's policies. USAC purchased goods and services from businesses affiliated with board members, as well as reimbursed related expenses incurred by those businesses in the amount of \$41,987 during the year ended August 31, 2017. Of this amount, \$33,000 during the year ended August 31, 2017 was paid to related parties for gym rental fees.

**NOTE 7 - DONATED MATERIALS AND SERVICES**

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

	<u>2018</u>	<u>2017</u>
Donated supplies	\$ 43,358	\$ 25,000
Donated services	-	6,858
Capitalized equipment	-	43,000
Total contributions in-kind	<u>\$ 43,358</u>	<u>\$ 74,858</u>

**NOTE 8 – 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 makes a 3% employer matching contribution. Employer contributions totaled \$8,231 and \$6,591 for the years ended August 31, 2018 and 2017 respectively.

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August 31, 2018

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NOTE 9 – 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 10 - SUBSEQUENT EVENTS

As of November 1, 2018, USAC moved its office from Boulder, Colorado to Salt Lake City, Utah. USAC was released from the Boulder office lease on October 31, 2018 without penalty. The Lafayette, Colorado storage space was utilized through December 2018 and a settlement was arranged to terminate that lease on April 30, 2019 instead of the original December 31, 2019 termination date. The Organization is leasing temporary office space in Salt Lake City under a month- to-month lease until a permanent space is found.

USAC evaluated its August 31, 2018 financial statements for subsequent events through January 8, 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, 2018.