

USA CLIMBING
FINANCIAL STATEMENTS
AUGUST 31, 2017

USA CLIMBING

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August 31, 2017

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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, 2017, 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, 2017, 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, 2016 financial statements, and our report dated February 24, 2017, 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, 2016, 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 18, 2018

FINANCIAL STATEMENTS

USA CLIMBING
Statement of Financial Position
August 31, 2017

(with summarized financial information for the year ended August 31, 2016)

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 259,828	\$ 298,751
Accounts receivable	112,777	91,180
Prepaid expenses	67,602	75,600
Total current assets	440,207	465,531
PROPERTY AND EQUIPMENT		
Equipment	161,663	99,034
Less accumulated depreciation	(32,650)	(19,302)
Net property and equipment	129,013	79,732
Total assets	\$ 569,220	\$ 545,263
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 151	\$ 2,705
Credit cards payable	429	4,535
Accrued payroll liabilities	29,441	9,177
Deferred revenue	69,260	45,875
Total current liabilities	99,281	62,292
NET ASSETS		
Unrestricted	469,939	482,971
Total net assets	469,939	482,971
Total liabilities & net assets	\$ 569,220	\$ 545,263

See accompanying notes to financial statements

USA CLIMBING
Statement of Activities
For the year ended August 31, 2017
(with summarized financial information for the year ended August 31, 2016)

	2017	2016
Public Support and Revenue		
Entry and sanctioning fees	\$ 1,682,131	\$ 1,441,996
Sponsorship	240,119	215,950
Membership dues	646,050	467,080
Contributions	19,284	64,331
Contributions in-kind	74,858	33,984
Other revenue	55,240	39,815
Climbing wall rental (net of \$56,531 expenses)	-	41,419
Gain on disposal of fixed assets	970	-
Investment income	195	104
Total public support and revenue	2,718,847	2,304,679
Functional expenses		
Program services	2,247,684	1,760,026
Management and general	465,478	309,764
Fundraising	18,717	16,591
Total functional expenses	2,731,879	2,086,381
Increase in unrestricted net assets	(13,032)	218,298
NET ASSETS--BEGINNING OF YEAR	482,971	264,673
NET ASSETS--END OF YEAR	\$ 469,939	\$ 482,971

See accompanying notes to financial statements

USA CLIMBING
Statement of Functional Expenses
For the year ended August 31, 2017
(with summarized financial information for the year ended August 31, 2016)

	Program Services	Management and General	Fundraising	2017 Total	2016 Total
Venue	\$ 993,683	\$ -	\$ -	\$ 993,683	\$ 879,663
Travel	253,748	36,152	-	289,900	173,590
Salaries and wages	164,026	119,292	14,911	298,229	260,444
Payroll taxes	12,179	8,857	1,106	22,143	22,030
Retirement plan	3,625	2,636	330	6,591	5,171
Employee benefits	26,063	18,955	2,369	47,388	44,187
Payroll processing	-	3,405	-	3,405	3,685
Rent	21,785	26,152	-	47,937	27,285
Professional fees	-	50,132	-	50,132	32,458
Office supplies and postage	-	13,063	-	13,063	12,138
Miscellaneous expense	-	-	-	-	2,790
Merchandise	4,635	-	-	4,635	1,510
Promotion	165,242	48,640	-	213,882	171,604
Insurance	50,850	1,790	-	52,640	47,893
International expenses	35,028	-	-	35,028	12,534
Event competitor expense	114,424	-	-	114,424	71,362
Contract labor	211,797	45,891	-	257,688	136,021
Computers and telephone	40,519	40,519	-	81,037	33,994
Online registration service fees	77,191	45,643	-	122,834	95,283
Bank fees	-	2,739	-	2,739	2,110
Administration	61,153	-	-	61,153	42,214
Total expenses before depreciation	2,235,948	463,866	18,717	2,718,531	2,077,966
Percentage of expenses before depreciation	82.25%	17.06%	0.69%	100.00%	
Depreciation	11,736	1,612	-	13,348	8,415
Total expenses	\$ 2,247,684	\$ 465,478	\$ 18,717	\$ 2,731,879	\$ 2,086,381

See accompanying notes to financial statements

USA CLIMBING
Statement of Cash Flows
For the year ended August 31, 2017
(with summarized financial information for the year ended August 31, 2016)

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ (13,032)	\$ 218,298
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	13,348	8,415
(Gain) loss on disposal of assets	(970)	-
Donations in-kind	(74,858)	(33,984)
Expenses in-kind	31,858	6,858
(Increase) decrease in accounts receivable	(21,597)	(37,162)
(Increase) decrease in prepaid expenses	7,998	(41,517)
Increase (decrease) in accounts payable	(2,554)	(13,027)
Increase (decrease) in credit cards payable	(4,106)	4,451
Increase (decrease) in accrued payroll liabilities	20,264	4,367
Increase (decrease) in deferred revenue	23,385	14,875
Net cash provided (used) by operating activities	(20,264)	131,574
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(19,629)	(4,518)
Sale of property and equipment	970	-
Net cash provided (used) by investing activities	(18,659)	(4,518)
NET INCREASE (DECREASE) IN CASH	(38,923)	127,056
CASH AT BEGINNING OF YEAR	298,751	171,695
CASH AT END OF YEAR	\$ 259,828	\$ 298,751
 Supplemental Cash Flow Information:		
Donated equipment	\$ 43,000	\$ 27,126
Donated services	\$ 6,858	\$ 6,858
Donated supplies	\$ 25,000	\$ -

See accompanying notes to financial statements

USA CLIMBING
Notes to Financial Statements
August 31, 2017

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 and grow the sport of competition 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

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.

USA CLIMBING
Notes to Financial Statements
August 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2017, 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 2013.

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>2017</u>	<u>2016</u>
Climbing wall	\$ 41,000	\$ 41,000
Office equipment	9,336	6,786
Climbing equipment	111,327	51,248
Less accumulated depreciation	<u>(32,650)</u>	<u>(19,302)</u>
Net property and equipment	<u>\$ 129,013</u>	<u>\$ 79,732</u>

Depreciation expense for the year ended August 31, 2017 and 2016 was \$13,348 and \$8,415.

NOTE 3 – NET ASSETS

USAC had no temporarily or permanently restricted net assets as of August 31, 2017.

USA CLIMBING
Notes to Financial Statements
August 31, 2017

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 August 31, 2017, uninsured cash balances totaled \$482.

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, 2021. Base rent is \$1,323 per month. Rent expense was \$17,720 and \$13,940 for the years ended August 31, 2017 and 2016, respectively.

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

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

	<u>Office</u>	<u>Storage</u>
2018	\$16,404	\$16,020
2019	\$17,039	\$16,020
2020	\$17,674	\$ 5,340
2021	\$18,309	
2022	\$ 3,069	

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 contracts are reviewed and approved by the Board of Directors 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 and \$74,044 during 2016. Of this amount, \$33,000 during the year ended August 31, 2017 and \$62,250 during 2016, 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>2017</u>	<u>2016</u>
Capitalized equipment	\$ 43,000	\$ 27,126
Donated services	6,858	6,858
Donated supplies	25,000	-
Total contributions in-kind	<u>\$ 74,858</u>	<u>\$ 33,984</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 \$6,591 and \$5,171 for the years ended August 31, 2017 and 2016 respectively.

USA CLIMBING
Notes to Financial Statements
August 31, 2017

NOTE 9 - SUBSEQUENT EVENTS

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.

USAC evaluated its August 31, 2017 financial statements for subsequent events through January 18, 2018 which is the date the financial statements were available to be issued. USAC is not aware of any material subsequent events other than that mentioned above which would require recognition or disclosure in the financial statements for the year ended August 31, 2017.