

USA CLIMBING
FINANCIAL STATEMENTS
AUGUST 31, 2016

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, 2016, 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, 2016, 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, 2015 financial statements, and our report dated February 1, 2016, 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, 2015, 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
February 24, 2017

FINANCIAL STATEMENTS

USA CLIMBING
Statement of Financial Position
August 31, 2016

(with summarized financial information for the year ended August 31, 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 298,751	\$ 171,695
Accounts receivable	91,180	54,018
Prepaid expenses	75,600	34,083
Total current assets	465,531	259,796
PROPERTY AND EQUIPMENT		
Equipment	99,034	67,390
Less accumulated depreciation	(19,302)	(10,887)
Net property and equipment	79,732	56,503
Total assets	\$ 545,263	\$ 316,299
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,705	\$ 15,732
Credit cards payable	4,535	84
Accrued payroll liabilities	9,177	4,810
Deferred revenue	45,875	31,000
Total current liabilities	62,292	51,626
 NET ASSETS		
Unrestricted	482,971	264,673
Total net assets	482,971	264,673
Total liabilities & net assets	\$ 545,263	\$ 316,299

See accompanying notes to financial statements

USA CLIMBING
Statement of Activities
For the year ended August 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	<u>2016</u>	<u>2015</u>
Public Support and Revenue		
Entry and sanctioning fees	\$ 1,441,996	\$ 1,065,516
Sponsorship	215,950	226,775
Membership dues	467,080	383,845
Contributions	64,331	20,325
Contributions in-kind	33,984	92,320
Other revenue	39,815	30,955
Climbing wall rental (net of \$56,531 expenses)	41,419	-
Gain on disposal of fixed assets	-	19,686
Investment income	104	128
Total public support and revenue	<u>2,304,679</u>	<u>1,839,550</u>
Functional expenses		
Program services	1,760,026	1,409,801
Management and general	309,764	338,859
Fundraising	16,591	13,796
Total functional expenses	<u>2,086,381</u>	<u>1,762,456</u>
Increase in unrestricted net assets	218,298	77,094
NET ASSETS--BEGINNING OF YEAR	<u>264,673</u>	<u>187,579</u>
NET ASSETS--END OF YEAR	<u>\$ 482,971</u>	<u>\$ 264,673</u>

See accompanying notes to financial statements

USA CLIMBING
Statement of Functional Expenses
For the year ended August 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Venue	\$ 879,663	\$ -	\$ -	\$ 879,663	\$ 689,303
Travel	156,444	17,146	-	173,590	182,466
Salaries and wages	143,244	104,178	13,022	260,444	195,946
Payroll taxes	12,117	8,812	1,101	22,030	16,538
Retirement plan	2,844	2,068	259	5,171	-
Employee benefits	24,303	17,675	2,209	44,187	41,596
Payroll processing	-	3,685	-	3,685	3,025
Rent	9,509	17,776	-	27,285	25,992
Professional fees	-	32,458	-	32,458	35,535
Office supplies and postage	-	12,138	-	12,138	13,274
Miscellaneous expense	-	2,790	-	2,790	914
Merchandise	1,510	-	-	1,510	3,572
Promotion	145,601	26,003	-	171,604	195,108
Insurance	46,103	1,790	-	47,893	44,858
Event competitor expense	71,362	-	-	71,362	80,321
Contract labor	133,816	2,205	-	136,021	108,811
Computers and telephone	16,997	16,997	-	33,994	17,468
Online registration service fees	67,060	28,223	-	95,283	58,368
Bank fees	-	2,110	-	2,110	1,055
Administration	42,214	12,534	-	54,748	43,119
Total expenses before depreciation	1,752,787	308,588	16,591	2,077,966	1,757,269
Percentage of expenses before depreciation	84.35%	14.85%	0.80%	100.00%	
Depreciation	7,239	1,176	-	8,415	5,187
Total expenses	\$ 1,760,026	\$ 309,764	\$ 16,591	\$ 2,086,381	\$ 1,762,456

See accompanying notes to financial statements

USA CLIMBING
Statement of Cash Flows
For the year ended August 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 218,298	\$ 77,094
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	8,415	5,187
(Gain) loss on disposal of assets	-	(19,686)
Donations in-kind	(33,984)	(92,320)
Expenses in-kind	6,858	51,320
(Increase) decrease in accounts receivable	(37,162)	(23,198)
(Increase) decrease in prepaid expenses	(41,517)	(10,537)
Increase (decrease) in accounts payable	(13,027)	3,603
Increase (decrease) in credit cards payable	4,451	(1,585)
Increase (decrease) in accrued payroll liabilities	4,367	(42,807)
Increase (decrease) in deferred revenue	14,875	8,405
Net cash provided (used) by operating activities	131,574	(44,524)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,518)	(1,764)
Sale of property and equipment	-	34,500
Net cash provided (used) by investing activities	(4,518)	32,736
NET INCREASE (DECREASE) IN CASH	127,056	(11,788)
CASH AT BEGINNING OF YEAR	171,695	183,483
CASH AT END OF YEAR	\$ 298,751	\$ 171,695
Supplemental Cash Flow Information:		
Donated equipment	\$ 27,126	\$ 41,000
Donated services	\$ 6,858	\$ 51,320

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 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, 2016

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, 2016, 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 2012.

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>2016</u>	<u>2015</u>
Climbing wall	\$ 41,000	\$ 41,000
Office equipment	6,786	4,992
Climbing equipment	51,248	21,398
Less accumulated depreciation	<u>(19,302)</u>	<u>(10,887)</u>
Net property and equipment	<u>\$ 79,732</u>	<u>\$ 56,503</u>

Depreciation expense for the year ended August 31, 2016 and 2015 was \$8,415 and \$5,187.

NOTE 3 – NET ASSETS

USAC had no temporarily or permanently restricted net assets as of August 31, 2016.

USA CLIMBING
Notes to Financial Statements
August 31, 2016

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, 2016, uninsured cash balances totaled \$48,751.

NOTE 5 – OPERATING LEASE

The Organization leases office space in Boulder Colorado under a non-cancellable operating lease effective November 1, 2015 to November 30, 2016. Rent expense was \$13,940 and \$9,417 for the years ended August 31, 2016 and 2015, respectively.

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

2016	\$3,382
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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 \$74,044 during the year ended August 31, 2016 and \$41,438 during 2015. Of this amount, \$62,2500 during the year ended August 31, 2016 and \$30,000 during 2015, 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:

	2016	2015
Capitalized equipment	\$ 27,126	\$ 41,000
Contract labor	6,858	-
Promotion services	-	51,320
Total contributions in-kind	\$ 33,984	\$ 92,320

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 \$5,171 and \$0 for the years ended August 31, 2016 and 2015 respectively.

NOTE 9 - SUBSEQUENT EVENTS

On November 1, 2017, USAC moved its office to another location in Boulder, CO and signed a five year lease with minimum monthly lease payments of \$1,323 for the first 12 months.

USAC evaluated its August 31, 2016 financial statements for subsequent events through February 24, 2017 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, 2016.