

UNITED STATES ADAPTIVE RECREATION CENTER

FINANCIAL STATEMENTS

June 30, 2018

PAUL H. GLASS ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Adaptive Recreation Center
Big Bear, California

We have audited the accompanying financial statements of United States Adaptive Recreation Center (a tax-exempt public charity) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 United States Adaptive Recreation Center (a tax exempt public charity) as of June 30, 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.

/s/ Paul H. Glass Accountancy Corporation

Westlake Village, California 91361
January 11, 2019

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF FINANCIAL POSITION
(SEE NOTES TO FINANCIAL STATEMENTS)

JUNE 30, 2018

ASSETS

Cash and equivalents:

Checking account	140,713
Money market fund	2,574
Certificates of deposit	<u>64,887</u>

Total Cash and Equivalents 208,174

Investments in equities	39,997
Investments in fixed income	<u>7,875</u>

Total Investments 47,872

Prepaid expense 10,442

Total Current Assets 266,488

Equipment, net 10,927

Total Assets 277,415

LIABILITIES

Accounts payable and accrued expense	3,538
Deferred income	<u>10,729</u>

Total Current Liabilities 14,267

NET ASSETS

Unrestricted:

Undesignated	263,148
Designated for specific purposes	<u>0</u>
Total Unrestricted	263,148
Total Temporarily Restricted	0
Total Permanently Restricted	<u>0</u>

Total Net Assets 263,148

Total Liabilities and Net Assets 277,415

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STATEMENT OF ACTIVITIES
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2018

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUES

Contributions	50,702
Contributions - in kind	126,000
Fundraising events	156,619
Grants	165,532
Program fees	107,874
Interest/dividends	1,333
Unrealized gains	<u>4,052</u>

Total Support and Revenues 612,112

EXPENSES

Program services:	
Depreciation (equipment)	11,696
Personnel costs	342,437
Program costs	<u>212,839</u>

Total Program Services 566,972

Supporting Services:

Administration	5,018
Fundraising	27,900
Personnel costs	<u>20,656</u>

Total Supporting Services 53,574

Total Expenses 620,546

DECREASE IN UNRESTRICTED NET ASSETS -8,434

NET ASSETS, JUNE 30, 2017 271,581

NET ASSETS, JUNE 30, 2018 263,147

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STATEMENT OF CASH FLOWS
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in unrestricted net assets	-8,434
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation (equipment)	11,696
Dividends and unrealized gains	-5,385
(Increase) decrease in:	
Prepaid expense	-597
Increase (decrease) in:	
Accounts payable and accrued expense	358
Deferred income	<u>2,468</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>106</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment purchases	0
Investments	<u>240</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>240</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>
NET INCREASE IN CASH	346
CASH, JUNE 30, 2017	<u>207,828</u>
CASH, JUNE 30, 2018	<u>208,174</u>
Supplemental disclosures of non-cash and other activity:	
Donated goods and services – \$126,000	
Interest expense paid – None	
Income taxes paid – None	

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – ORGANIZATION

United States Adaptive Recreation Center (the "Organization") is a nonprofit corporation which was organized in the State of California on August 2, 1983 to promote, benefit and support the education and training of handicapped persons' participation in skiing and other sports activities. It operates a year-round recreation center at Big Bear Lake, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, funds that have similar characteristics have been classified into three net asset categories as follows:

Unrestricted net assets: Consist of funds that are fully available, at the discretion of the Society's Board of Directors, for the Society to utilize in any of its programs or supporting services.

Temporarily restricted net assets: Consist of funds that are restricted by donors for a specific time period or purpose.

Permanently restricted net assets: Consist of funds that contain donor-imposed restrictions requiring that the principal be invested in perpetuity and only the income be used. Income earned on these funds may be unrestricted

The only restrictions on assets are donor imposed; such restrictions are either a "permanent restriction" or "temporary restriction." None of the Organization's assets have been restricted by the Organization's Board of Directors. However, pursuant to generally accepted accounting principles, assets with such voluntary designations are still considered to be "unrestricted."

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. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less are cash equivalents.

Investments

The Organization values investments at fair value, based on quoted market prices. In addition, gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Equipment

Equipment acquisitions are carried at cost. Maintenance and repairs are expensed as incurred. Assets retired or sold are removed from the property accounts, with gains or losses on disposal included in income. Depreciation of equipment is provided by use of the straight-line method over the estimated five-year useful life of the equipment.

Contributions

Contributions of cash and unconditional promises to give are classified as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted contributions are classified as unrestricted if the restrictions are satisfied in the same reporting period in which the contributions are received. All other donor restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. Restricted net assets are transferred to unrestricted net assets upon satisfaction of the time or purpose restrictions. Contributions of donated non-cash assets are recorded at their fair values when received. Contributions of services (personal time donated by individuals to the Organization) are not recorded in the financial statements, because they do not meet the criteria for recognition under ASC 958-605. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with sports programs, campaign solicitations, board service, and committee assignments. The fair value of these volunteer hours is not practicable to determine.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Income

Deferred income consists of program fees collected in advance. The Organization recognizes this income during the period earned (when the goods or services are provided).

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated amongst program services and supporting services based on management estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the state code. Therefore, no provision for income tax has been recorded in the accompanying financial statements. The Organization is not aware of any activity that would cause it to lose its non-profit status nor does it believe there is any unrelated business taxable income subject to income tax.

Date of Management's Review

The Organization evaluated subsequent events through January 11, 2019 which is the date its financial statements were available to be issued, and it disclosed events, or transactions, occurring during this subsequent period that required recognition or disclosure in its financial statements.

NOTE 3 – INVESTMENTS

Investments consist of a variety of securities. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted *quoted prices in active markets for identical assets* and have the highest priority. The fair value of the Organization's securities is based on quoted net asset values of the securities held by the Organization at year-end based on the closing price reported on the active market where the individual securities are traded. The Organization does not own any Level 2 or Level 3 investments. It only owns Level 1 investments that are valued at *quoted prices in active markets for identical assets*.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – EQUIPMENT, NET

Equipment consists of the following:

Boats and trailers	55,600
Computer equipment	19,944
Off-road equipment	15,860
Ski equipment	136,911
Vehicles	<u>28,207</u>
Subtotal	256,522
Less accumulated depreciation	<u>245,595</u>
Equipment, net	<u>10,927</u>

NOTE 5 – CONTRIBUTIONS (IN-KIND)

Lift tickets, donated equipment, use of space and other costs have been recognized as revenues at their estimated total fair value of \$126,000 and expensed as follows:

Lift tickets (program costs)	100,000
Use of equipment, jet skis (program costs)	4,000
Use of space (80% program costs and 20% administration)	12,000
Other program costs	5,000
Fundraising costs	<u>5,000</u>
Total	<u>126,000</u>

NOTE 6 – 401(k) PENSION PLAN

The Organization has a 401(k) pension plan for the benefit of full-time, year-round employees. The plan provides for voluntary employee contributions as a deduction from their salary. The Organization matches/contributes dollar for dollar up to 5% of their annual salary. Total employer contributions for the fiscal year ended June 30, 2018 were \$12,273.

NOTE 7 – EFFECT OF CURRENT ECONOMIC CONDITIONS ON SUPPORT AND REVENUES

The Organization depends heavily on contributions, fundraising events and grants for its revenue. The ability of the Organization to attract support and revenues which are comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While the Organization's Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

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JUNE 30, 2018

NOTE 8 – SUBSEQUENT EVENT

Bear Mountain Resort has long term plans to expand its facilities, including the replacement of the Organization's current place-of-occupancy with a new structure or structures, in which the Organization has requested space. It is unknown exactly when this will happen. An annual agreement titled "AGREEMENT – ADAPTIVE SKI/RIDE PROGRAM" expires and renews annually on October 31. The Organization anticipates such renewed annual agreement will be continued for several years, but there is no guarantee. According to the Organization, the Bear Mountain Resort has said verbally it is on board for the long term.

NOTE 9 – CONCENTRATIONS

Contributions Received from Donors: The Organization's total support and revenue included cash from nine cash donors each contributing \$1,000 or more. These donors' contributions totaled \$32,930 and accounted for 5.4% of the total support and revenue for the year ended June 30, 2018.

In-Kind Contributions from Donors: The Organization's total support and revenue included in-kind contributions from a variety of donors, with Big Bear Mountain Resorts contributing \$112,000 of in-kind contributions. These donors' contributions totaled \$126,000 and accounted for 20.6% of the total support and revenue for the year ended June 30, 2018.

Credit Risk: Cash deposits with banks, broker-dealers and other financial entities are financial instruments with credit risks that may exceed available insurance, such as Federal Deposit Insurance Corporation (FDIC) insurance or Securities Investor Protection Corporation (SIPC) insurance.

NOTE 10 – CONTINGENCIES

Income Tax Examinations: As of June 30, 2018, the Organization has tax returns for the fiscal years ended June 30, 2014 through June 30, 2018 open and subject to examination.

Litigation: The Organization received notice of a lawsuit, and in turn it notified its insurance carrier who has assigned counsel. It is not presently possible to determine with certainty what corrective action, if any, will be required, what portion of any costs thereof will be attributable to the Organization, or whether all or any portion of such costs will be covered by insurance or will be recoverable from others. Although the outcome of these matters cannot be predicted with certainty, and some of them may be disposed of unfavorably to the Organization, management has no reason to believe that their disposition will have a materially adverse effect on the financial position or on-going operation of the Organization.