

UNITED STATES ADAPTIVE RECREATION CENTER

FINANCIAL STATEMENTS

June 30, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of United States Adaptive Recreation Center

Opinion

We have audited the accompanying financial statements of United States Adaptive Recreation Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Adaptive Recreation Center as of June 30, 2022, 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.

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 Financial Statements section of our report. We are required to be independent of United States Adaptive Recreation Center 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Adaptive Recreation Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 United States Adaptive Recreation Center'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Adaptive Recreation Center'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.



Westlake Village, California
December 28, 2022

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF FINANCIAL POSITION
(SEE NOTES TO FINANCIAL STATEMENTS)

JUNE 30, 2022

Unrestricted

ASSETS

Cash and cash equivalents	
Checking account	326,501
Money market fund	4,833
Certificate of deposit	<u>66,106</u>
Total Cash and Equivalents	<u>397,440</u>
Investments in equities	30,463
Investments in mutual funds	<u>48,483</u>
Total Investments	<u>78,946</u>
Financial assets available to meet operating expenses	476,386
Prepaid expense	<u>7,132</u>
Total Current Assets	483,518
Equipment	<u>10,980</u>
Total Assets	<u><u>494,498</u></u>
LIABILITIES	
Accounts payable and accrued expenses	3,652
Deferred income	<u>0</u>
Total Current Liabilities	<u>3,652</u>
NET ASSETS	
Without donor restrictions	490,846
With donor restrictions	<u>0</u>
Total Net Assets	<u>490,846</u>
Total Liabilities and Net Assets	<u><u>494,498</u></u>

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF ACTIVITIES
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2022

Unrestricted

Operating activities

REVENUES AND OTHER SUPPORT

Contributions	61,659
Contributions (contributions in-kind)	126,000
Forgiveness of SBA PPP debt	59,976
Fundraising events	167,072
Grants	197,128
Program fees	<u>102,010</u>

TOTAL REVENUES AND OTHER SUPPORT 713,845

EXPENSES

Program services:

Depreciation (equipment)	3,656
Personnel costs	328,464
Program costs	114,915
Program costs (contributions in-kind)	<u>121,000</u>
Total program services	<u>568,035</u>

Supporting services:

Administration	18,518
Fundraising costs	19,016
Fundraising costs (contributions in-kind)	5,000
Personnel costs	<u>17,288</u>
Total supporting services	<u>59,822</u>

TOTAL EXPENSES 627,857

CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS 85,988

Non-operating activities

Investment losses (12,503)

CHANGE IN UNRESTRICTED NET ASSETS FROM ALL ACTIVITIES 73,485

NET ASSETS, JUNE 30, 2021 417,361

NET ASSETS, JUNE 30, 2022 490,846

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF CASH FLOWS
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2022

Unrestricted

CASH FLOWS FROM OPERATING ACTIVITIES

Change in unrestricted net assets from operations	85,988
Depreciation (equipment)	3,656
(Increase) decrease in:	
Prepaid expense	1,655
Increase (decrease in):	
Accounts payable and accrued expense	(3,235)
Deferred income	<u>(2,825)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>85,239</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment	<u>1,340</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>1,340</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Forgiveness of SBA PPP debt	<u>(59,976)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>(59,976)</u>

 NET INCREASE IN CASH 26,603

CASH AND CASH EQUIVALENTS, JUNE 30, 2021 370,837

CASH AND CASH EQUIVALENTS, JUNE 30, 2022 397,440

Supplemental disclosures of non-cash and other activity:

Donated goods and services - \$126,000

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – THE ORGANIZATION

United States Adaptive Recreation Center (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 Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and support, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash on deposit with financial institutions. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Investments

Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statement of activities as increases or decreases in net assets without donor restriction, unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

Net Assets

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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of trustees. All the Foundation's assets are unrestricted.

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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a 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.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Services and Use of Property

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services are not reflected in the accompanying statement of activities, because they do not meet the necessary criteria for recognition under US GAAP.

Use of property donated by individuals and companies that would typically need to be purchased or rented if not donated are recognized as contributions (at fair value) when such property is used.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities.

Operating activities consist of those items attributable to the Foundation's ongoing programs and the Foundation's interest and dividends earned on investments.

Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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 as determined by management on an equitable basis, such as time and effort for administrative and staffing costs.

Income Tax

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.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

Further, the Organization is not aware of any material uncertain tax positions that require recognition or disclosure in the financial statements.

As of June 30, 2022, the Organization has tax returns for the fiscal years ended June 30, 2019, through June 30, 2022, open and subject to examination.

Subsequent Events

The Organization has evaluated events that have occurred from June 30, 2022, through December 28, 2022, which is the date that the financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

Compensated Absences

The organization has not annually accrued for compensated absences. As of the year ended June 30, 2022, such accrual would be \$2,975 which is deemed by management to be immaterial.

NOTE 3 – INVESTMENTS

Level 1 investments consisted of the following:

Investments in equities	30,463
Investments in mutual funds	<u>48,483</u>
Total Investments	<u>78,946</u>

Investment returns consisted of the following:

Interests and dividends	643
Investment advisory fees	<u>0</u>
Subtotal	<u>643</u>
Realized losses	(43,753)
Unrealized gains	<u>30,607</u>
Subtotal	<u>(13,146)</u>
Total Investment Losses	<u>(12,503)</u>

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 3 – INVESTMENTS (continued)

The Foundation's investments are reported at fair value. The fair value measurement accounting literature establishes a three-level valuation hierarchy of fair value measurements.

Level 1 Valuations are based on inputs that reflect quoted prices in active markets for identical investments at the reporting date.

Level 2 Valuations are based on (i) quoted prices for similar investments in active markets; (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3 Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

NOTE 4 – EQUIPMENT

Equipment consists of the following:

Boats and trailers	66,877
Computer equipment	19,944
Off-road equipment	15,860
Ski equipment	147,581
Vehicles	<u>28,207</u>
Subtotal	278,469
Less accumulated depreciation	<u>267,489</u>
Equipment, net	<u><u>10,980</u></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:

Program costs (contributions in-kind):	
Lift tickets	100,000
Use of equipment, jet skis	4,000
Use of space	12,000
Other	<u>5,000</u>
Subtotal program costs (contributions in-kind)	121,000
Fundraising costs (contributions in-kind)	<u>5,000</u>
Total contributions in-kind	<u><u>126,000</u></u>

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 10% of their annual salary. Total employer contributions for the fiscal year ended June 30, 2022, were \$9,250 calendar year 2021 and \$7,150 calendar year 2020.

NOTE 7 – LEASE COMMITMENT

There is a lease agreement between the Organization and Snow Summit, LLC (a California LLC) that commenced on July 1, 2022, and expires on June 30, 2024. The parties have agreed to negotiate a bi-yearly agreement in good faith with a goal of completing a final agreement for execution by July 15, 2024. Unless a new agreement is in place by July 15, then the relationship will terminate and USARC shall be required to vacate the premises, and remove all its materials, until such time as there is a new agreement. Management has no reason to believe that the lease will not continue to be renewed into the foreseeable future.

NOTE 8 – CONCENTRATIONS

Cash Contributions from Donors: The Organization's total revenues and other support included cash from 19 cash donors each contributing \$1,000 or more. These donors' contributions totaled \$66,050 and accounted for approximately 10% of the total revenues and other support for the year ended June 30, 2022.

In-Kind Contributions from Donors: The Organization's total revenues and other support 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 approximately 21% of the total revenues and other support for the year ended June 30, 2022.

NOTE 9 – EFFECT OF ECONOMIC CONDITIONS ON REVENUES AND OTHER SUPPORT

The Organization depends heavily on contributions, fundraising events and grants for its revenue. The ability of the Organization to attract revenues and other support which are comparable to prior years may be dependent upon current and future overall economic conditions, including the Coronavirus Pandemic (COVID-19), 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.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 10 – CONTINGENCIES, RISKS AND UNCERTAINTIES

Credit Risk

Cash deposits with banks, broker-dealers and other financial entities are financial instruments with credit risks which, at times, may exceed available insurance, such as Federal Deposit Insurance Corporation (FDIC) insurance or Securities Investor Protection Corporation (SIPC) insurance. Management does not believe the Organization is exposed to any significant risk arising from this credit risk, but the Organization does not guarantee this assessment.

Income Tax Examinations

As of June 30, 2022, the Organization has tax returns for the fiscal years ended June 30, 2018, through June 30, 2022, open and subject to examination.

Overall Risk to Operations

The extent of the impact and effects of coronavirus (“COVID-19”) on the operational and financial performance of the Foundation’s business will continue to depend on future developments, all of which are highly uncertain and cannot be predicted. The Foundation’s result of operations may be materially adversely affected by such future developments.

The spread of the pandemic is having serious economic implications. Numerous sectors of the economy are suffering damage and the long-term economic and business consequences remain unknown. Among the many consequences of the COVID-19 pandemic, entities may face financial reporting and operational challenges with respect to their missions, goals, and objectives.

Since the reporting of the COVID-19 pandemic, the spread of it has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences and all the related fallout, as well as their impact on the financial position and operational results of the Organization for future periods.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 11 – RELATED PARTY TRANSACTIONS

A related party is a person or an entity with which the Organization may deal where such other person or entity controls or can significantly influence the management or operating policies of the Organization to an extent that the Organization might be prevented from fully pursuing its own separate interests. Certain of the Organization's board members, officers, employees, and in-kind donors sometimes make contributions to the Organization in the furtherance of the Organization's mission and goals. This group of related parties collectively contributed this year to the Organization \$192,050 in the form of in-kind contributions and cash (\$126,000 and \$66,050, respectively).

NOTE 12 – LIQUIDITY POLICY AND AVAILABILITY OF RESOURCES_

Liquidity policy: As part of the Organization's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations come due.

Availability of Resources: Management believes existing financial assets (specifically, Cash and Cash Equivalents, plus Level 1 Investments) are sufficient to meet its cash needs within one year.