

UNITED STATES ADAPTIVE RECREATION CENTER

FINANCIAL STATEMENTS

June 30, 2020



Sotomayor Associates, LLP

Certified Public Accountants
150 S Los Robles Ave., Suite 450
Pasadena, California 91101
(626) 397-4900

Fax: (626) 397-4908

E-mail: sotomayor@sotomayorcpa.com

Web Site www.sotomayorcpa.com

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) (Organization), which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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.

Very truly yours,



Sotomayor & Associates, LLP

December 29, 2020

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF FINANCIAL POSITION
(SEE NOTES TO FINANCIAL STATEMENTS)

JUNE 30, 2020

ASSETS

Cash and cash equivalents:	
Checking account	214,712
Money market fund	3,528
Certificates of deposit	<u>65,464</u>
Total Cash and Equivalents	<u>283,704</u>
Investments in equities	58,343
Investments in fixed income	<u>9,513</u>
Total Investments	<u>67,856</u>
Financial assets available to meet operating expenses	351,560
Prepaid expense	<u>8,064</u>
Total Current Assets	359,624
Equipment, net	<u>20,292</u>
Total Assets	<u>379,916</u>

LIABILITIES

Accounts payable and accrued expense	2,074
Deferred income	5,016
Paycheck Protection Program (PPP) loan payable	<u>74,600</u>
Total Current Liabilities	<u>81,690</u>

NET ASSETS

Without donor restrictions	298,226
With donor restrictions	<u>0</u>
Total Net Assets	<u>298,226</u>
Total Liabilities and Net Assets	<u>379,916</u>

UNITED STATES ADAPTIVE RECREATION CENTER

STATEMENT OF ACTIVITIES
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2020

UNRESTRICTED NET ASSETS

Operating Activities

REVENUES AND OTHER SUPPORT

Contributions	78,451
Contributions – donation in-kind	126,000
Fundraising events	165,110
Grants	239,799
Program fees	128,846
Interest/dividends	<u>2,606</u>

TOTAL REVENUES AND OTHER SUPPORT 740,812

EXPENSES

Program services:

Depreciation (equipment)	6,044
Personnel costs	449,441
Program costs	<u>182,251</u>
Total Program Services	<u>637,736</u>

Supporting Services:

Administration	5,210
Fundraising	25,412
Personnel costs	<u>30,787</u>
Total Supporting Services	<u>61,409</u>

TOTAL EXPENSES 699,145

CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS 41,667

Non-operating Activities

UNREALIZED GAINS 8,038

GAIN FROM SALE OF ASSETS 4,700

CHANGE IN UNRESTRICTED NET ASSETS FROM ALL ACTIVITIES 54,405

NET ASSETS, JUNE 30, 2019 243,821

NET ASSETS, JUNE 30, 2020 298,226

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STATEMENT OF CASH FLOWS
(SEE NOTES TO FINANCIAL STATEMENTS)

YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets from all activities	54,405
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:	
Depreciation (equipment)	6,044
Dividends and unrealized gains	-10,644
Realized Gain	-4,700
(Increase) decrease in:	
Prepaid expense	3,151
Increase (decrease) in:	
Accounts payable and accrued expense	-3,910
Deferred income	<u>-13,965</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>30,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment purchases	-21,947
Investments	1,066
Proceeds from Sale of Equipment	<u>4,700</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>-16,181</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program (PPP) loan payable	<u>74,600</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>74,600</u>
NET INCREASE IN CASH	88,800
CASH AND CASH EQUIVALENTS, JUNE 30, 2019	<u>194,904</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2020	<u>283,704</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, 2020

NOTE 1 – 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 Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. All the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 Organization's ongoing programs and the Organization'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.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash consists of cash on deposit with banks.

Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

The Organization values its investments at fair value. U.S. GAAP established 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*. In addition, gains and losses on these investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted.

Availability and Liquidity

Financial assets available to meet general expenditures over the next twelve months total \$351,560. The Organization's goal is to maintain financial assets to meet 90 days of operating expenses (approximately \$200,000).

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

Contributions

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.

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

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

Date of Management's Review

The Organization evaluated subsequent events through December 29, 2020, which is the date its financial statements were available to be issued, and it is not aware of any material subsequent events.

Recently Issued Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) –

Presentation of Financial Statements of Not-for-Profit Entities.

ASU 2016-14 was effective for fiscal years beginning after December 15, 2017; this Organization's fiscal year that began July 1, 2018 and ended June 30, 2019. The amendments in this ASU changed presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program (PPP) Loan Payable

The Organization received loan proceeds in the amount of \$74,600 under the Paycheck Protection Program (PPP). In accordance with U.S. GAAP, the PPP loan proceeds have been recorded as a liability until the Organization is legally released from this debt. The Organization is in the process of requesting loan forgiveness from the government. While the Organization believes it will meet the conditions for forgiveness, there is no guarantee of such forgiveness materializing.

NOTE 3 – EQUIPMENT, NET

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>258,177</u>
Equipment, net	<u><u>20,292</u></u>

NOTE 4 – 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><u>126,000</u></u>

NOTE 5 – 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, 2020 were \$15,200.

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JUNE 30, 2020

NOTE 6 – LEASE COMMITMENT

There is a lease agreement between the Organization and Snow Summit, LLC (a California LLC) that commenced November 1, 2016, and expired on October 31, 2017, except for automatic extensions. This agreement automatically extends for additional one-year terms, commencing on November 1 and terminating on October 31 of each successive year. Either party may give written notice to the other of its intent not to renew this agreement.

NOTE 7 – CONCENTRATIONS

Contributions Received from Donors: The Organization's total revenues and other support included cash from fourteen cash donors each contributing \$1,000 or more. These donors' contributions totaled \$53,000 and accounted for approximately 7% of the total revenues and other support for the year ended June 30, 2020.

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 17% of the total revenues and other support for the year ended June 30, 2020.

NOTE 8 – CONTINGENCIES

Income Tax Examinations:

As of June 30, 2020, the Organization has tax returns for the fiscal years ended June 30, 2016 through June 30, 2020 open and subject to examination.

Lawsuit and Claim:

The Organization received notice of a lawsuit in one matter and notice of a claim in another matter. 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 two matters cannot be predicted with certainty, and they may be disposed of unfavorably to the Organization, management has no reason to believe that their collective disposition will have a materially adverse effect on the financial position or on-going operation of the Organization.

UNITED STATES ADAPTIVE RECREATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – CONTINGENCIES (Continued)

Overall Risk to Operations:

The Coronavirus Pandemic (COVID-19) is above all a global human tragedy. The spread of the pandemic also 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 COVID-19, entities may face financial reporting and operational challenges with respect to their missions, goals, and objectives.

Since December 31, 2019, the spread of COVID-19 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. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization may be adversely affected by existing and growing emergency mandates and regulations, unavailable properties and facilities, inaccessible supplies and equipment, unobtainable staffing and volunteers, and reduced revenues and other support.

The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

The Organization believes it has the financial resources and flexibility to control costs to weather the challenges of the pandemic and government mandated guidelines on its programming. Specifically, the Organization cancelled its summer program and the impact on its financial condition was immaterial. With respect to the winter program, Bear Mountain has kept the Organization apprised of its planning. Importantly, they fully intend to conduct full operations. Likewise, while the Organization may adjust how it deals with its participants, the Organization expects to conduct its winter programming in as close to normal level as possible.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – CONTINGENCIES (Continued)

Overall Risk to Operations (Continued):

The Organization received loan proceeds in the amount of \$74,600 under the Paycheck Protection Program (PPP). In accordance with U.S. GAAP, the PPP loan proceeds have been recorded as a liability until the Organization is legally released from this debt. The Organization is in the process of requesting loan forgiveness from the government. While the Organization believes it will meet the conditions for forgiveness, there is no guarantee of such forgiveness materializing.

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 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.