



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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Introduction

The following pages contain unaudited financial statements from US Quidditch's (USQ's) 2020 fiscal year, which ran from July 1, 2019 to June 30, 2020.

In the beginning of the fiscal year, in July 2019, USQ hosted the inaugural IQA Pan-American Games, which brought four teams from the US, Canada, and Mexico to Richmond, Virginia for a weekend of competition. Ninety-six teams competed in seven regional championships in October 2019, November 2019, and February 2020.

The onset of the COVID-19 pandemic in March 2020 led to unprecedented disruption of the end of USQ's season. US Quidditch Cup 13, the 80-team national championship scheduled for April 17-18, was cancelled, along with the IQA World Cup, scheduled for July 18-19 and co-hosted by US Quidditch. Nearly thirty nations were preparing to compete there.

USQ Cup, the premiere event of the season, is USQ's biggest revenue-generating event. Without it, total events revenue for the year was down 81% compared to the original budget. The cancellation so late into the process meant that USQ had already spent significant amounts of time and money on planning, and had already collected approximately \$29,600 in revenue from event partners, team registration, and ticket sales. While some teams and individuals accepted a credit for next year, or turned their ticket purchase into a donation, the majority of that revenue had to be refunded.

By mid-April 2020, USQ had approximately \$13,000 cash on hand. This small cash balance was due to significant net losses in two of the three prior years that left USQ ill-prepared to cope with the pandemic. In response, USQ launched an emergency fundraising drive, which raised approximately \$75,000 through donations, merchandise sales, and memberships for the 2020-21 season purchased early. It was the league's most successful fundraiser to date, with over 500 supporters. The community support was incredible, and we are so grateful to those that contributed. These funds enabled USQ to continue operations while coming up with a plan to deal with the long term effects of the pandemic. This included applying for a Payroll Protection Program forgivable loan, which covered payroll costs for May and June 2020. Unfortunately, incoming revenue was not enough to continue payroll costs at their current level, and USQ had to lay off two full-time employees at the end of July 2020, leaving the organization with three total employees, two full-time and one part-time.

USQ is preparing for further furloughs and layoffs of the remaining three professional staff in the event that all remaining events in the next fiscal year are cancelled. Despite these challenges, the

board of directors and staff are committed to keeping the organization going. We recognize the important roles that USQ has in the quidditch community, both in the US and globally, and are taking measures to ensure that we can weather the effects of the pandemic in the 20-21 season and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Kimball'.

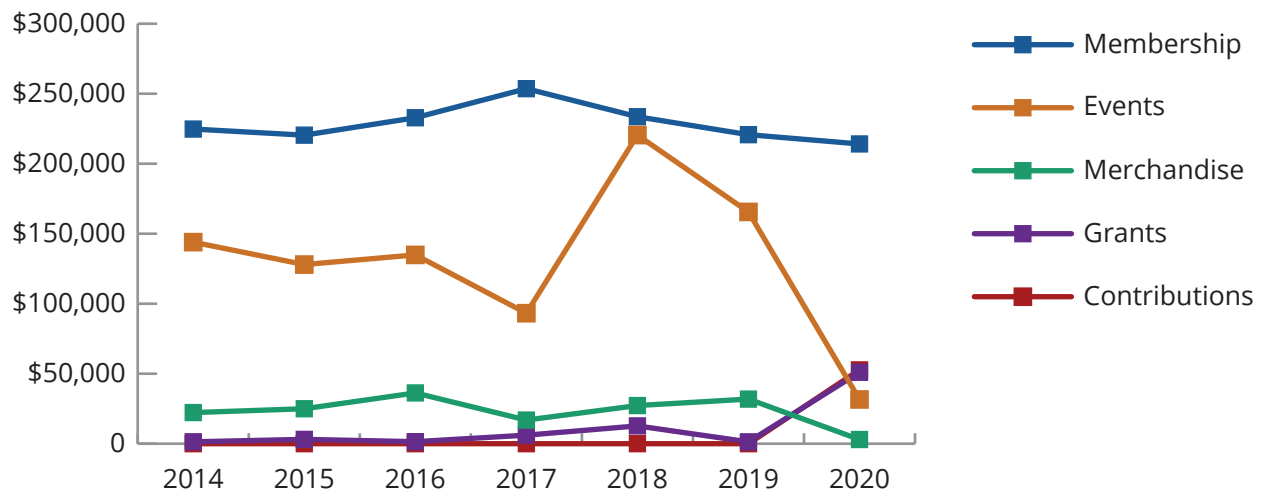
Mary Kimball
Executive Director

A handwritten signature in black ink, appearing to read 'Alicia Radford'.

Alicia Radford
Treasurer

Key Takeaways

REVENUE BY SOURCE AND YEAR



THE FINANCIAL IMPACTS OF COVID-19

- Membership revenue declined **3%** over the year before, a smaller decrease than the two preceding seasons (which saw membership decrease by **5.8%** and **8.6%**, respectively). Without the cancellation of nationals, there would likely have been more membership sign-ups in March and April.
- Because nationals was cancelled so close to the event, **\$69,077** had already been spent in staff planning time, site visit travel, supplies, and shipping. Additionally, net merchandise sales for the year were only **\$2,996** compared to the prior year's **\$31,875** due to the inability to sell merchandise at nationals.
- Events revenue was **81%** less than originally budgeted. **\$31,608** was brought in from regional championships and US National Team training camp fees, compared to the total of **\$163,000** budgeted and **\$165,551** the prior year.
- In April 2020, USQ launched a #savequidditch fundraiser to make up for these losses, and the community donated an incredible **\$51,039**, the largest amount USQ received in contributions in one year since the organization's founding in 2010. The campaign also raised **\$23,709** in player and team memberships purchased early for the 2020-21 season. These contributions, along with a **\$43,933** forgivable Paycheck Protection Program loan from the US government, kept USQ from having to close its doors in the summer. However, even with the fundraiser and PPP loan, USQ's total revenue was **\$75,759** less than budgeted and the organization ended the year with a **\$24,986** loss. Previous losses (see chart on following page) left USQ without a cash cushion to fall back on, and at the end of July USQ had to lay off two of its five employees.

TOTAL REVENUE AND EXPENSES BY YEAR

	FY2020	FY2019	FY2018	FY2017
Revenue	\$ 352,491	\$ 419,477	\$ 500,726	\$ 376,179
Expenses	<u>377,477</u>	<u>460,969</u>	<u>481,094</u>	<u>422,307</u>
Net Income or (Loss)	<u>\$ (24,986)</u>	<u>\$ (41,492)</u>	<u>\$ 19,632</u>	<u>\$ (46,128)</u>
	FY2016	FY2015	FY2014	
Revenue	\$ 405,420	\$ 376,439	\$ 392,325	
Expenses	<u>391,854</u>	<u>367,900</u>	<u>350,907</u>	
Net Income or (Loss)	<u>\$ 13,566</u>	<u>\$ 8,539</u>	<u>\$ 41,418</u>	

FUTURE THREATS

- In July, USQ cancelled one regional championship scheduled to take place in October 2020. In September, USQ cancelled the remaining three fall regional championships scheduled to take place in October and November 2020. If the continuing spread of COVID-19 prevents USQ from hosting events in spring 2021, the organization will have to furlough or lay off the remaining three employees, which would have serious consequences for the future of quidditch in the United States and jeopardize the ability of US Quidditch to survive as an organization.
- USQ's employees maintain and develop relationships with city partners to host regional championships and nationals, attending conferences and meetings year-round. They also serve on committees with Sports ETA and other industry groups, and do work as part of a broader coalition to increase equity and diversity in sports. This work advances the perception of quidditch as a legitimate, professional sport and would be difficult to continue without paid staff. US Quidditch was founded and run by volunteers from 2010-2014, and the amount of growth since then would make it difficult to move back to an all-volunteer model. Furloughing or laying off the remaining staff could mean losing significant institutional knowledge.

FINANCIAL STATEMENT DEFINITIONS

Nonprofits report their financial results to funders, creditors, donors, and the public through four financial statements, with accompanying notes that expand on and give context to the numbers. Those statements are:

Statement of Financial Position – Also called a balance sheet, the statement of financial position reports an organization’s assets, liabilities, and net assets at a specific point in time; in this case, as of June 30, 2020. It is called a balance sheet because total assets always equal total liabilities plus net assets ($A = L + NA$). *Assets* are everything the organization owns or has a claim to, which includes cash, accounts receivable (cash owed to USQ but not yet received), and prepaid expenses (which result from paying in advance for services or goods to be received in the future). There are other categories of assets, including land, buildings, and equipment, but USQ does not own any of those kinds of assets. *Liabilities* are everything the organization owes to others, including accounts payable (cash owed by USQ to other vendors but not yet paid), accrued expenses (other expenses added to the books before they have been paid), and deferred revenue (revenue received before the organization has earned it, like prepayments of bid fees and membership). *Net assets* can be thought of as the net worth of the organization: what remains after subtracting liabilities from assets. Nonprofits are required to report net assets in two categories: with and without donor restrictions. Net assets without donor restrictions can be used for any purpose; net assets with donor restrictions can only be used for the purpose specified by the donor.

Statement of Activity – Also called a profit and loss or income statement, the statement of activity reports an organization’s financial performance over a period of time; in this case, from July 1, 2019 to June 30, 2020. It summarizes the revenue earned and expenses incurred during the fiscal year, and subtracts the total expenses from total revenue to arrive at either the net income or net loss. Nonprofits must report all expenses as either program expenses (which are directly related to carrying out the organization’s mission) or supporting expenses, which are further broken down into administration and fundraising. Those three areas (program, administration, and fundraising) are called functional classifications.

Statement of Functional Expenses – This statement breaks down the expenses incurred during the period by category as well as functional classification, and serves to provide additional context to the statement of activity.

Statement of Cash Flows – USQ uses *accrual accounting*, where revenue and expenses are recorded in the books as they occur, regardless of whether or not cash has changed hands. That is why USQ uses accounts like accounts payable and accounts receivable. This means that the statement of activity cannot be used to determine how much cash has been received or spent during a period; the statement of cash flows reports cash collected and spent from different sources and shows how an organization moved from the balances of cash reported on the statement of financial activity for the prior year to the current year.

US Quidditch

STATEMENT OF FINANCIAL POSITION

Years Ended June 30, 2020 and 2019
(Unaudited)

ASSETS

	FY2020	FY2019
Current Assets		
Cash	\$ 68,861	\$ 18,320
Accounts Receivable ³	8,888	20,168
Prepaid Expenses ⁴	1,057	
Total Current Assets	78,806	38,488
Total Assets	\$ 78,806	\$ 38,488

LIABILITIES & NET ASSETS

Current Liabilities		
Accounts Payable ⁵	\$ 20,751	\$ 15,070
Accrued Expenses ⁶	10,811	3,534
Deferred Revenue ⁷	52,347	
Total Current Liabilities	\$ 83,909	\$ 18,604
 Net Assets		
Without Donor Restriction	(6,254)	19,884
With Donor Restriction ⁸	1,151	
Total Net Assets	(5,103)	19,884
Total Liabilities and Net Assets	\$ 78,806	\$ 38,488

The accompanying notes are integral to these financial statements.

US Quidditch

STATEMENT OF ACTIVITY

Years Ended June 30, 2020 and 2019

(Unaudited)

REVENUE	FY2020	FY2019
Events ⁹	\$ 31,608	\$ 165,551
Membership ¹⁰	214,115	220,734
Merchandise Sales, net ¹¹	2,996	31,875
Contributions	51,039	1,317
Grants ¹²	52,733	
Total Revenue	<u>\$ 352,491</u>	<u>\$ 419,477</u>
EXPENSES		
Program Services		
Events	\$ 3,296	\$ 2,539
Nationals	69,077	182,155
Regional Championships	87,880	95,373
Special Events		334
IQA World Cup	2,984	556
IQA Pan-American Games	8,730	3,417
Sanctioned Events	758	1,057
Conventions	8,805	6,789
Total Events	<u>181,530</u>	<u>292,220</u>
Certification	23,556	19,625
Membership	41,386	39,588
US National Team	14,247	16,622
Other Program Services	12,281	4,069
Total Program Services	<u>273,000</u>	<u>372,124</u>
Support Services		
Administrative	91,120	85,254
Fundraising	13,357	3,591
Total Support Services	<u>104,477</u>	<u>88,845</u>
Total Expenses	<u>\$ 377,477</u>	<u>\$ 460,969</u>
Net Loss	\$ (24,986)	\$ (41,492)

US Quidditch

STATEMENT OF FUNCTIONAL EXPENSES

July 2019 - June 2020

(Unaudited)

	Program	Admin	Fundraising	Total
Payroll & Related Expenses				
Salaries & Wages	\$ 164,160	\$ 31,912	\$ 9,576	\$ 205,648
Payroll Taxes	12,405	2,504	759	15,668
Employee Benefits	12,231	2,809	509	15,549
Professional Development		4,192		4,192
Payroll Service Fees		4,069		4,069
Total Payroll & Related Expenses	188,796	45,486	10,844	245,126
Professional Services				
Medical	10,070			10,070
Officials	10,282			10,282
Total Professional Services	20,352	-	-	20,352
Postage and Shipping	7,494	209	5	7,708
Printing and Copying	132			132
Dues and Subscriptions	263	791	44	1,098
Technology and Website	4,401	1,187	1,125	6,713
Marketing and Promotion	50	120		170
Facility and Storage Rental	4,416			4,416
Equipment Rental	5,478			5,478
Game Equipment	843			843
Supplies	2,999	148		3,147
Travel, Per Diem, and Lodging	34,133	2,025		36,158
Meals and Catering	1,575			1,575
Awards and Grants	2,027			2,027
Insurance		32,119		32,119
Bank Charges & Processing Fees	41	8,457	1,339	9,837
Taxes and Licenses		578		578
Total Expenses	\$ 273,000	\$ 91,120	\$ 13,357	\$ 377,477

US Quidditch

STATEMENT OF CASH FLOWS

July 2019 - June 2020

(Unaudited)

Cash Flows from Operating Activities	
Cash collected from program activities	\$ 341,759
Cash collected from contributions	59,838
Cash used to pay payroll expenses	(237,850)
Cash used to pay for program activities	(107,935)
Cash used to pay for support activities	(49,204)
Net Cash Provided by Operating Activities	<u>6,608</u>
Cash Flows from Financing Activities	
Cash provided by SBA PPP loan	43,933
Net Increase in Cash	50,541
Cash at Beginning of Period	<u>18,320</u>
Cash at End of Period	<u><u>\$ 68,861</u></u>

US Quidditch

NOTES TO FINANCIAL STATEMENTS

1. Description of the Organization and its Activities

US Quidditch is the national governing body for the sport of quidditch. USQ advances the sport by organizing events and programs that build community and empower all genders to compete together. A 501(c)(3) nonprofit founded in 2010, US Quidditch serves an average of 3,500 athletes and 150 teams each season nationwide and provides a range of programs and services. These include hosting regional and national championships; supervising regular season competition; supporting and certifying referees, snitches, and tournament directors; offering grants; and working to expand the sport into younger age groups through outreach programs at the elementary, middle, and high school levels.

2. Summary of Significant Accounting Policies

Basis of Accounting – These financial statements have been prepared on the accrual basis of accounting.

Net Assets – Net assets represent what remains after subtracting total liabilities from total assets. US Quidditch classifies assets, revenues, gains, and losses based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets are classified and reported as either with donor restrictions or without donor restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Net assets without donor restrictions are available for general use to support operations.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses – Expenses are allocated according to their function (program services, administration, and fundraising). Many expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, payroll taxes, and employee benefits are allocated based on employee time reported on timesheets. Certain event expenses attributable to multiple events, including equipment, supplies, and postage and shipping, are allocated evenly between events.

Income Taxes – US Quidditch is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

3. Accounts Receivable

Accounts receivable represents money due to US Quidditch that has not been received yet. The balance in FY20 includes pledges for FY21 membership and hotel rebates from FY19 regional championships.

4. Prepaid Expenses

Prepaid expenses result from making advanced payments for goods or services to be received in the future. US Quidditch pre-pays its Directors & Officers insurance policy; the balance in prepaid expenses represents the portion of the policy for use in FY21.

5. Accounts Payable

Accounts payable is money that US Quidditch owes to other vendors that has not yet been paid. The balance in FY20 includes the return of bid fees for the cancelled USQ Cup 13 national tournament, the rescheduled IQA 2020 World Cup, and other expenses incurred in FY20 but paid in FY21.

6. Accrued Expenses

Because US Quidditch uses semi-weekly pay periods, wages and payroll taxes accrue at the end of the fiscal year that are not paid until the following fiscal year.

7. Deferred Revenue

Deferred revenue is money received for goods and services which has not yet been earned. During the #savequidditch fundraiser in spring 2020 at the onset of the COVID-19 pandemic and the cancellation of USQ Cup 13, membership dues collected for the 2020-21 season were booked as deferred revenue. Customers and teams that requested their ticket and registration fees for the event be issued as credits for the 2020-21 season are booked as deferred revenue until those events happen.

US Quidditch recognizes bid fee revenue when the event takes place; bid fees received in FY20 for FY21 events are booked as deferred revenue.

Deferred Membership	\$	23,709
Deferred Bid Fees		27,500
Deferred Ticket Sales		688
Deferred Registration Fees		450

8. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consists of funds that are purpose-restricted for:

US National Team	\$	450
Youth Programs		700

9. Events Revenue

Events revenue is broken out into the following categories:

	FY2020	FY2019
Bid Fees	\$ 20,338	\$ 58,921
Hotel Rebates	8,547	18,727
Ticket Sales	297	44,163
Registration Fees	1,530	43,243
Vendor Fees	896	497

10. Membership Revenue

Membership revenue is broken out into the following categories:

	FY2020	FY2019
Adult Player Membership	\$ 179,040	\$ 186,944
Coach Membership	5,350	5,800
Referee Membership	9,225	9,350
Trial Player Membership	1,700	1,390
Fan Membership	50	149
Team Membership	18,750	17,100

11. Merchandise Sales

Gross merchandise sales were \$26,874 with cost of goods sold of \$23,878. The cancellation of nationals meant that much of the merchandised purchased during the year was unable to be sold at the biggest event of the year.

12. Grants

Grant revenue includes \$43,933 from the SBA's Paycheck Protection Program, which was received on May 8, 2020. The loan covered eight weeks of payroll, and is included as revenue in this fiscal year because the loan is under \$50,000 and conditions for forgiveness have been "substantially met" as addressed in FASB ASC 958-605 and by AICPA Q&A Section 3200.

13. Subsequent Events

Since June 30, 2020, the consequences of the COVID-19 pandemic have continued to materially and adversely impact the operations and financial position of US Quidditch. In August 2020, US Quidditch was forced to lay off two full-time employees. In September 2020, US Quidditch cancelled the three regional championships scheduled to take place in October and November 2020.

If the continuing spread of COVID-19 prevents US Quidditch from hosting events in spring 2021, the organization will have to furlough or lay off the remaining three employees, which would have serious consequences for the future of quidditch in the United States and jeopardize the ability of US Quidditch to survive as an organization.