



FINANCIAL STATEMENTS

QUARTER ENDED SEPTEMBER 30, 2020

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Introduction

The following pages contain the unaudited financial statements from the first quarter of US Quidditch's (USQ's) 2021 fiscal year, which ran from July 1, 2020 to September 30, 2020. Please also see the unaudited [2020 fiscal year financial statements](#) for the period of July 1, 2019 to July 30, 2020 for additional context.

The COVID-19 pandemic continued to present significant operational and financial challenges this quarter. At the end of July, USQ laid off two full-time employees, leaving the organization with three total employees, two full-time and one part-time. This brought down USQ's operating costs from approximately \$20,000 a month to \$16,000 a month. USQ also announced the cancellation of one fall regional championship around that same time.

In August, USQ announced return to play guidelines jointly with Major League Quidditch (MLQ) that created a detailed framework for how and when teams and individuals could resume play. The guidelines consist of eight stages (stage 0 - 7), and only in stages 6 and 7 would it be safe to hold regional championships or nationals. All USQ teams were in stage 2 until the end of September; stage 2 restricts quidditch to non-contact, outdoor practices with 25 people or less. As of the beginning of October, teams now have the ability to move up through the stages themselves, but must stay in each stage for at least 14 days and meet other strict baseline conditions. Due to how COVID-19 cases continue to flare up and persist nationwide, USQ cancelled the remaining three fall regional championship events scheduled to take place in October and November 2020. USQ also cancelled all other official and sanctioned events through January 1, 2021.

With the season on hold, USQ has seen a significant drop in revenue this quarter. Like many organizations that produce events as their primary activity, USQ's revenue fluctuates throughout the fiscal year. In a normal season, USQ brings in more than half of the year's membership revenue—and a third of total revenue—during the first quarter. In Q1 last year, USQ brought in \$122,825 in membership revenue and \$144,354 in total revenue, compared to only \$25,169 and \$25,746 respectively in Q1 this year.

As of September 30, USQ only had approximately \$6,000 in the bank, which is enough to last only a couple weeks at current operational levels. Therefore, we are making changes for the remainder of 2020. Both full-time staff will move to 30 hours a week effective October 10, and Laura, the events and partnerships director, will be furloughed for the month of November. Mary, the executive director, will take a 55% pay cut. We cancelled our accident insurance policy, which we will not be using until January at the earliest. We will get a refund of around \$4,000 for the premiums we have paid

thus far. We are also pausing the general liability insurance policy until season play resumes, though we will not receive a refund for premiums paid to date, only a credit. We will also apply for a loan through the EIDL program from the federal government available to small businesses negatively impacted by COVID-19. A loan of \$24,999 would give USQ cash for operating expenses in the short term. Under the loan terms, payments can be deferred for one year, and loans have maturities up to 30 years with an interest rate of 2.75% for nonprofits.

It is unclear whether it will be safe to host the remaining four regional championships and nationals this spring. USQ will make that decision in early 2021 after consulting teams, city and university partners, and the latest CDC guidance. USQ is preparing for further furloughs and layoffs of the remaining three professional staff in the event that all remaining events are cancelled.

However, we believe in the importance of retaining our professional staff, who have a combined 14 years of quidditch experience, and work hard year-round developing and maintaining partnerships with city convention and tourism bureaus, universities, and other sports professionals. Employees also supervise and manage projects and programs across the organization's five different departments (communications, events, gameplay, member services, and office of the executive director). Our professional staff are also shepherds of continuity in this pandemic era. As events resume under the return to play guidelines, our staff will be able to make the most of their knowledge and skills, including institutional ones, to ensure that teams and attendees have the best possible experience.

We believe that for quidditch to succeed as a sport long term, and fulfill our vision of a future where every person in the United States is aware of quidditch as a sport and has opportunities to play and engage at all levels, we need to make it through this pandemic. If those who are financially able to support USQ through this time by buying a membership, making a donation, or purchasing merchandise, we will be forever grateful.

Sincerely,



Mary Kimball
Executive Director



Alicia Radford
Treasurer

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

Q1 • July 1 - September 30, 2020 and 2019

(Unaudited)

ASSETS

	2020	2019
Current Assets		
Cash	\$ 5,982	\$ 76,445
Accounts Receivable ³	12,177	6,640
Prepaid Expenses ⁴	723	
Total Current Assets	<u>18,882</u>	<u>83,085</u>
Total Assets	<u>\$ 18,882</u>	<u>\$ 83,085</u>

LIABILITIES & NET ASSETS

Current Liabilities		
Accounts Payable ⁵	\$ 20,034	\$ 1,186
Accrued Expenses ⁶	3,668	1,244
Deferred Revenue ⁷	<u>28,638</u>	<u>12,500</u>
Total Current Liabilities	<u>\$ 52,340</u>	<u>\$ 14,930</u>
Net Assets		
Without Donor Restriction	(34,609)	68,155
With Donor Restriction ⁸	<u>1,151</u>	
Total Net Assets	<u>(33,458)</u>	<u>68,155</u>
Total Liabilities and Net Assets	<u>\$ 18,882</u>	<u>\$ 83,085</u>

The accompanying notes are integral to these financial statements.

US Quidditch

STATEMENT OF ACTIVITY

Q1 • July 1 - September 30, 2020

(Unaudited)

REVENUE

Membership ⁹	\$	25,169
Merchandise Sales, net ¹⁰		(295)
Contributions		619
Other Income		253
Total Revenue	\$	25,746

EXPENSES

Program Services

Events	\$	176
Nationals		2,265
Regional Championships		5,495
IQA World Cup		525
Conventions		1,572
Total Events		10,033
Certification		1,911
Membership		5,211
US National Team		102
Other Program Services		21,194
Total Program Services		38,452

Support Services

Administrative		14,891
Fundraising		757
Total Support Services		15,648
Total Expenses	\$	54,100

Net Loss	\$	(28,354)
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US Quidditch

STATEMENT OF FUNCTIONAL EXPENSES

Q1 • July 1 - September 30, 2020

(Unaudited)

	Program	Admin	Fundraising	Total
Payroll & Related Expenses				
Salaries & Wages	\$ 32,972	\$ 7,397	\$ 386	\$ 40,755
Payroll Taxes	2,847	661	28	3,536
Employee Benefits	1,914	872	22	2,808
Professional Development	25			25
Payroll Service Fees		291		291
Total Payroll & Related Expenses	37,758	9,221	436	47,415
Postage and Shipping	36	23		59
Dues and Subscriptions	48	56		104
Technology and Website	340	337	299	976
Volunteer Appreciation	94	50		144
Facility and Storage Rental	176			176
Insurance		4,964		4,964
Bank Charges & Processing Fees		79	22	101
Taxes and Licenses		160		160
Total Expenses	\$ 38,452	\$ 14,891	\$ 757	\$ 54,100

US Quidditch

STATEMENT OF CASH FLOWS

Q1 • July 1 - September 30, 2020

(Unaudited)

Cash Flows from Operating Activities	
Cash collected from program activities	\$ 1,070
Cash collected from contributions	872
Cash used to pay payroll expenses	(54,559)
Cash used to pay for program activities	(2,135)
Cash used to pay for support activities	(8,126)
Net Cash Used by Operating Activities	<u>(62,879)</u>
Net Decrease in Cash	(62,879)
Cash at Beginning of Period	68,861
Cash at End of Period	<u>\$ 5,982</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 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 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 period that are not paid until the following period.

7. Deferred Revenue

Deferred revenue is money received for goods and services which has not yet been earned. 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 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. Membership Revenue

Membership revenue is broken out into the following categories:

Adult Player Membership	\$	15,730
Referee Membership		140
Fan Membership		899
Team Membership		8,400

Note that for the majority of this revenue, \$23,709, the cash was collected prior to June 30, 2020 in the last fiscal year. The revenue was booked as deferred when received, and moved to revenue on July 1, 2020 at the start of this fiscal year.

10. Merchandise Sales

Gross merchandise sales were \$430 with cost of goods sold of \$725, which lead to a net loss on

merchandise in Q1 of this fiscal year. There is not always a direct relationship between the timing of merchandise purchases and selling through US Quidditch's online store.

11. Subsequent Events

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.