



FINANCIAL STATEMENTS

QUARTER ENDED DECEMBER 31, 2020

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Introduction

The following pages contain unaudited financial statements from the second quarter of US Quidditch's (USQ's) 2021 fiscal year, which ran from October 1 to December 31, 2020. Please see the unaudited [Q1 2021 financial statements](#) and [FY2020 financial statements](#) for additional financial information.

The COVID-19 pandemic continued to have a major impact on USQ's operations during Q2. We announced the cancellation of USQ Cup for the second year and prohibited in-person official events through the end of the season. In order to mitigate the financial losses from being unable to operate, we have focused on a number of cost-saving and fundraising strategies:

- We cancelled our accident and liability insurance policies and received a refund for the majority of premium expenses paid to date.
- Both full-time staff moved to 30 hours a week effective October 10. Laura Porth, the director of events and partnerships, was furloughed for November and will be furloughed for March and some of April - June. Mary Kimball, the executive director, has already taken a 55% pay cut.
- In November, USQ received a \$25,000 30-year, 2.75% Economic Injury Disaster Loan from the Small Business Administration. Although the term of the loan is 30 years, we plan to pay it back as soon as possible once the pandemic is over and normal cash flow resumes.
- We filed an amended 941 employer tax return for October - December 2020 in order to claim \$10,911 from the IRS for the Employee Retention Credit, another coronavirus relief program. USQ also anticipates being eligible for the credit from January - March 2021 as well. In 2021, the credit is for 70% of wages paid up to \$10,000 per employee per calendar quarter.
- In March, USQ received a second round Paycheck Protection Program (PPP) forgivable loan of \$43,933 to cover payroll costs.
- The board of directors launched a fundraising drive that has raised over \$6,000 to date.
- USQ has expanded merchandise options through a new TeeSpring store, which is a print-on-demand service that doesn't require USQ to front the costs of maintaining inventory.

Based on these measures, we believe that US Quidditch will be able to make it to the 2021-2022 season. Our volunteer staff has continued to expand, and everyone is working hard to use this time without events to improve USQ so that next season's events and membership experience are better.

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 December 31, 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 October 1 to December 31, 2020. It summarizes the revenue earned and expenses incurred during the period, 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 position for the prior year to the current year.

US Quidditch

STATEMENT OF FINANCIAL POSITION

Q2 • October 1 - December 31, 2020 and 2019

(Unaudited)

ASSETS

	2020	2019
Current Assets		
Cash	\$ 24,086	\$ 59,029
Accounts Receivable ³	18,693	4,460
Prepaid Expenses ⁴	389	
Total Current Assets	<u>43,168</u>	<u>63,489</u>
Total Assets	<u>\$ 43,168</u>	<u>\$ 63,489</u>

LIABILITIES & NET ASSETS

Liabilities

Current Liabilities

Accounts Payable ⁵	\$ 14,855	\$ 6,485
Interest Payable ⁶	115	
Accrued Expenses ⁷	7,400	431
Deferred Revenue, Current ⁸		18,033

Total Current Liabilities	<u>\$ 22,370</u>	<u>\$ 24,949</u>
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Long-Term Liabilities

Notes Payable ⁹	25,000	
Deferred Revenue, Long-Term	34,171	
Total Long-Term Liabilities	<u>59,171</u>	<u>0.00</u>

Total Liabilities	<u>\$ 81,541</u>	<u>\$ 24,949</u>
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Net Assets

Without Donor Restriction	(39,523)	38,540
With Donor Restriction ¹⁰	1,150	

Total Net Assets	<u>(38,373)</u>	<u>38,540</u>
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Total Liabilities and Net Assets	<u>\$ 43,168</u>	<u>\$ 63,489</u>
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The accompanying notes are integral to these financial statements.

US Quidditch

STATEMENT OF ACTIVITY

Q2 • October 1 - December 31, 2020

(Unaudited)

REVENUE

Membership ¹¹	\$	1,080
Merchandise Sales ²		338
Contributions		6,062
Total Revenue	\$	7,480

EXPENSES

Program Services		
Events	\$	309
Nationals		1,163
Regional Championships		2,510
IQA World Cup		41
Event Bidding		2,598
Total Events		6,621
Certification		733
Membership		3,883
US National Team		289
Other Program Services		(543)
Total Program Services		10,983
Support Services		
Administrative		4,066
Fundraising		850
Total Support Services		4,916
Total Expenses	\$	15,899
Net Loss	\$	(8,419)

US Quidditch

STATEMENT OF FUNCTIONAL EXPENSES

Q2 • October 1 - December 31, 2020

(Unaudited)

	Program	Admin	Fundraising	Total
Payroll & Related Expenses				
Salaries & Wages	\$ 17,824	\$ 2,355	\$ 432	\$ 20,611
Payroll Taxes ¹³	(9,656)	193	36	(9,427)
Employee Benefits	1,467	137	24	1,628
Payroll Service Fees		268		268
Total Payroll & Related Expenses	9,635	2,953	492	13,080
Dues and Subscriptions	606	12		618
Technology and Website	448	385	294	1,127
Marketing and Promotion	30			30
Facility and Storage Rental	264	74		338
Insurance		334		334
Bank Charges & Processing Fees		22	64	86
Taxes and Licenses		171		171
Interest Expense		115		115
Total Expenses	\$ 10,983	\$ 4,066	\$ 850	\$ 15,899

US Quidditch

STATEMENT OF CASH FLOWS

Q2 • October 1 - December 31, 2020

(Unaudited)

Cash Flows from Operating Activities	
Cash collected from program activities	\$ 1,091
Cash collected from contributions and other sources	14,231
Cash used to pay payroll expenses	(20,541)
Cash used to pay for program activities	(1,438)
Cash used to pay for support activities	(1,023)
Net Cash Used by Operating Activities	<u>(7,680)</u>
Cash Flows from Financing Activities	
Cash provided by SBA EIDL Loan	25,000
Net Cash Provided by Financing Activities	<u>25,000</u>
Net Increase in Cash	<u>\$ 17,320</u>
Cash at Beginning of Period	6,766
Cash at End of Period	24,086

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 the \$10,911 Employee Retention Credit owed for Q4 2020, pledges for FY21 membership, and hotel rebates from 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 yet to be expensed in FY21.

5. Accounts Payable

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

6. Interest Payable

Interest accrues on USQ's SBA EIDL loan (see note 9) at an annual rate of 2.75%. This amount reflects interest accrued but not paid for November and December. Interest and principal payments will begin in November 2021.

7. 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.

8. 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 cancelled events be issued as credits until those events happen are considered deferred revenue. With the cancellation of USQ Cup, these events will take place more than 12 months in the future; therefore, this deferred revenue has been moved to a long-term deferred revenue account.

US Quidditch recognizes bid fee revenue when the event takes place; bid fees received in FY20 for events that will now be taking place in FY22-23 have been reclassified as long-term deferred revenue.

Deferred Bid Fees	\$	33,033
Deferred Ticket Sales		688
Deferred Registration Fees		450

9. Notes Payable

On November 2, 2020 USQ received a \$25,000 EIDL loan from the Small Business Administration (SBA). This is a 30-year, 2.75% loan designed to provide economic relief to businesses that are experiencing a loss of revenue due to COVID-19.

10. 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

11. Membership Revenue

Membership revenue is broken out into the following categories:

Virtual Player Membership	\$	70
Adult Player Membership		760
Team Membership		250

12. Merchandise Sales

There were no cost of goods sold for Q2. There is not always a direct relationship between the timing of merchandise purchases and selling through US Quidditch's online store.

13. Payroll Tax Expense

This number is negative because it reflects the refund due for the Employee Retention Credit (ERC). For 2020, the ERC was equal to a credit of 50% of wages paid up to \$10,000 per employee (that is, \$5,000 per employee). The credit is claimed against an employer's 941 tax payments, which include employee federal income tax withholding as well as employee and employer medicare and social security. The credit is *refundable*, which means the entire amount is refunded even if it's greater than the taxpayer's liability. That was the case here: the amount owed from the credit is greater than the 941 tax payments made for the quarter, so the amount reflected in the statement of activity is negative. This has the effect of reducing overall expenses.

14. Subsequent Events

In March, USQ applied for and received a second PPP loan of \$43,933, which is a forgivable loan to cover payroll costs.

Additionally, USQ anticipates being eligible to claim the Employee Retention Credit from January to March 2021. The credit is for 70% of wages paid up to \$10,000 per employee per quarter.

USQ hopes that regional championships will be able to resume in fall 2021 and that the 2021-22 season will be a relatively normal one. However, additional hours reductions or furloughs may occur for the remaining two staff through the summer to ensure USQ remains in a stable financial position.