

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

Financial Statements
December 31, 2022 and 2021

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Jason Mallon, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The United States Practical Shooting Association/IPSC
Sedro-Wooley, Washington

Opinion

We have audited the accompanying financial statements of United States Practical Shooting Association/IPSC (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, 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 Practical Shooting Association/IPSC as of December 31, 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 Practical Shooting Association/IPSC 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.

Prior Period Financial Statements

The 2021 financial statements were reviewed by us, and our report thereon, dated June 3, 2022, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

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 Practical Shooting Association/IPSC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA
Matt Smith, CPA
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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 Practical Shooting Association/IPSC'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 Practical Shooting Association/IPSC'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.

Greenwood Ohlund

Seattle, Washington
August 29, 2023

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	(Audited) 2022	(Reviewed) 2021
	<u> </u>	<u> </u>
Current Assets		
Cash and cash equivalents	\$ 1,007,628	\$ 1,547,655
Investments	2,148,109	2,411,319
Accounts receivable	7,793	8,676
Prepaid expenses	48,699	12,930
	<u> </u>	<u> </u>
Total current assets	3,212,229	3,980,580
Property and Equipment, net	53,181	76,792
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,265,410</u>	<u>\$ 4,057,372</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 92,512	\$ 88,257
Income tax payable	-	40,536
Deferred advertising	15,692	25,925
Deferred championship entry fees	-	75,470
Deferred membership dues revenue	749,999	712,674
	<u> </u>	<u> </u>
Total current liabilities	858,203	942,862
Deferred Membership Dues Revenue, less current portion	1,147,093	1,235,334
	<u> </u>	<u> </u>
Total liabilities	2,005,296	2,178,196
Net Assets		
Without donor restrictions	1,233,199	1,854,074
With donor restrictions	26,915	25,102
	<u> </u>	<u> </u>
Total net assets	1,260,114	1,879,176
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 3,265,410</u>	<u>\$ 4,057,372</u>

See accompanying notes to financial statements.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	(Audited) 2022			(Reviewed) 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Membership dues	\$ 1,402,259	\$ -	\$ 1,402,259	\$ 1,154,807	\$ -	\$ 1,154,807
Activity fees	626,531	-	626,531	595,703	-	595,703
Championship entry fees	426,766	-	426,766	433,690	-	433,690
Front Sight advertising	311,112	-	311,112	312,486	-	312,486
Royalties	130,933	-	130,933	114,557	-	114,557
Website advertising	25,756	-	25,756	101,289	-	101,289
Seminar fees	48,733	-	48,733	34,334	-	34,334
Contributions	4,884	1,813	6,697	1,041	1,100	2,141
Investment return	(263,211)	-	(263,211)	75,255	-	75,255
Other income	72,626	-	72,626	151,093	-	151,093
Total support and revenue	2,786,389	1,813	2,788,202	2,974,255	1,100	2,975,355
Expenses						
Program services	2,645,654	-	2,645,654	2,356,655	-	2,356,655
General and administrative	620,445	-	620,445	508,170	-	508,170
Membership development	141,165	-	141,165	78,138	-	78,138
Total expenses	3,407,264	-	3,407,264	2,942,963	-	2,942,963
Change in net assets	(620,875)	1,813	(619,062)	31,292	1,100	32,392
Net Assets, beginning of year	1,854,074	25,102	1,879,176	1,822,782	24,002	1,846,784
Net Assets, end of year	\$ 1,233,199	\$ 26,915	\$ 1,260,114	\$ 1,854,074	\$ 25,102	\$ 1,879,176

See accompanying notes to financial statements.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	(Audited) 2022				(Reviewed) 2021			
	Program Services	General and Administrative	Membership Development	Total	Program Services	General and Administrative	Membership Development	Total
Salaries, taxes, and benefits	\$ 934,347	\$ 205,101	\$ -	\$ 1,139,448	\$ 959,971	\$ 210,725	\$ -	\$ 1,170,696
Match expenses	723,706	-	-	723,706	551,677	-	-	551,677
Printing, postage, and mailing	262,560	63,177	81,899	407,636	222,820	26,814	49,157	298,791
Travel	295,887	64,951	-	360,838	213,314	46,825	-	260,139
Professional fees	55,535	96,419	59,266	211,220	31,614	53,295	28,981	113,890
Advertising	198,138	-	-	198,138	106,799	-	-	106,799
Communications	20,478	109,082	-	129,560	14,225	89,776	-	104,001
Bank fees	9,976	56,531	-	66,507	10,040	56,896	-	66,936
Rent	51,179	11,234	-	62,413	48,958	10,747	-	59,705
Depreciation and amortization	41,763	9,167	-	50,930	38,051	8,353	-	46,404
Federal income taxes	28,806	-	-	28,806	65,995	-	-	65,995
Insurance	14,349	4,783	-	19,132	13,933	4,644	-	18,577
Miscellaneous	7,322	-	-	7,322	78,382	95	-	78,477
Dues and subscriptions	1,608	-	-	1,608	876	-	-	876
Total expenses	\$ 2,645,654	\$ 620,445	\$ 141,165	\$ 3,407,264	\$ 2,356,655	\$ 508,170	\$ 78,138	\$ 2,942,963

See accompanying notes to financial statements.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	<u>(Audited)</u> 2022	<u>(Reviewed)</u> 2021
Cash Flows from Operating Activities		
Change in net assets	\$ (619,062)	\$ 32,392
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized loss (gain) on investments	263,211	(75,255)
Depreciation and amortization	50,930	46,404
Changes in operating assets and liabilities:		
Accounts receivable	883	(1,371)
Prepaid expenses	(35,769)	(2,065)
Accounts payable and other liabilities	4,255	24,218
Income tax payable	(40,536)	36,812
Deferred advertising	(10,233)	10,166
Deferred championship entry fees	(75,470)	14,390
Deferred membership dues revenue	(50,916)	64,310
Net cash flows from operating activities	<u>(512,707)</u>	<u>150,001</u>
Cash Flows from Investing Activities		
Purchases of investments	-	(1,596,916)
Proceeds from sales of investments	-	924,618
Purchase of property and equipment	(27,320)	(48,280)
Net cash flows from investing activities	<u>(27,320)</u>	<u>(720,578)</u>
Net change in cash and cash equivalents	(540,027)	(570,577)
Cash and Cash Equivalents, beginning of the year	<u>1,547,655</u>	<u>2,118,232</u>
Cash and Cash Equivalents, end of the year	<u>\$ 1,007,628</u>	<u>\$ 1,547,655</u>

See accompanying notes to financial statements.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The United States Practical Shooting Association/IPSC (the Association) is a nonprofit corporation headquartered in Sedro-Wooley, Washington, that sponsors practical shooting competitions, awards champion titles to practical shooter athletes, and trains range safety officers throughout the United States of America.

The Association's program services consist of the following:

Membership - Membership includes communication with and services rendered to members through, among other things, the national classification system, maintenance of member records, and maintenance of the official website. Additional support and services are made available to the youth of the Association through youth outreach programs, camps, sponsorship, scholarships, training, education, and extra-curricular activities.

Championships - The Association conducts practical shooting competitions to determine national champions and members of the United States teams competing in international competitions.

USPSA Magazine - The Association publishes a bimonthly magazine that fosters knowledge, stimulates interest, and facilitates participation in the sport of practical shooting.

Training - The Association provides training through its National Range Officer Institute and certification of range safety officers. Certification is offered for the following levels: Range Officer, Chief Range Officer, Range Master, Match Director, and Range Officer Instructor.

Supporting services activities consist of management and general activities, and membership development activities. Management and general activities include the functions necessary to provide coordination of program strategy, maintain a functioning Board of Directors, and management of financial and budgetary responsibilities. Membership development activities encompasses the identification, cultivation, and expansion of membership to promote the sport of practical shooting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are restricted to be used for the USPSA Presidential Education Fund and amounted to \$26,915 and \$25,102 at December 31, 2022 and 2021, respectively.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. The Association occasionally maintains deposits in excess of federally insured limits. The Association has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments

Investments in mutual funds are stated at fair value using Level 1 inputs (quoted prices on national exchanges). Certificates of deposit are stated at cost plus accrued interest. Realized and unrealized gains and losses are included in the change in net assets.

Investments consist of the following at December 31:

	2022	2021
Bond mutual funds	\$ 1,398,883	\$ 574,125
Domestic equity mutual funds	542,051	744,514
International equity mutual funds	169,050	99,607
Certificates of deposit	38,125	993,073
	<u>\$ 2,148,109</u>	<u>\$ 2,411,319</u>

Investment return is reported on the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

Accounts receivable are primarily due from advertisers in the USPSA Magazine. These receivables are unsecured and are reviewed routinely by management for collectability and, if necessary, an allowance is established. The Association charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance was deemed necessary at December 31, 2022 or 2021. The Association generally does not accrue interest on outstanding receivables.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated lives of property and equipment, ranging from three to five years. The Association capitalizes all assets with estimated useful lives longer than one year and a cost in excess of \$1,000.

Property and equipment consist of the following at December 31:

	2022	2021
Equipment	\$ 126,982	\$ 190,811
Computers and related software	159,307	314,512
	286,289	505,323
Less: Accumulated depreciation and amortization	(233,108)	(428,531)
	<u>\$ 53,181</u>	<u>\$ 76,792</u>

Revenue Recognition

The Association determines revenue recognition from contracts with customers through the following steps:

- Identification of the contract with the customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Association satisfies a performance obligation

The Association has the following primary revenue streams from contracts with customers:

- Membership dues;
- Fees, including activity fees, championship entry fees, and seminar fees;
- Advertising, including USPSA Magazine advertising and website advertising; and
- Royalties

Membership dues are recognized as revenue over the membership term to which they relate for services available and benefits received over the membership term using the output method. The Association offers one-year, three-year, five-year, and lifetime memberships. Members can join the Association at any point during the year. Dues received for future membership periods are deferred. Deferred revenue is the only significant contract liability. There are no significant contract assets.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

NOTES TO FINANCIAL STATEMENTS

Lifetime membership dues are recognized as revenue over the average duration of membership, which is assumed to be 20 years. Other than the estimate for lifetime memberships, there are no other significant judgements affecting the determination of amount and timing of membership dues revenue.

Fees are recognized when the associated events occur and collection is certain, as there is a single performance obligation for each revenue stream. Revenue is recognized at a point in time. There are no significant judgements affecting the determination of amount and timing of fees revenue.

Advertising revenue is recognized when advertisements are published, as there is a single performance obligation for each revenue stream. Revenue is recognized at a point in time. Advertising received in advance of publishing is deferred (a contract liability). There are no significant judgements affecting the determination of amount and timing of advertising revenue.

Royalties are earned from sales of shooting targets approved by the Association by unrelated companies. Revenue is recognized when sales are made, the Association is made aware of the sale, and collection of royalties are certain (typically when cash is received). There is a single performance obligation, and revenue is recognized at a point in time. There are no significant judgements affecting the determination of amount and timing of royalties revenue.

Timing of revenue recognition from contracts with customers was as follows for the years ended December 31:

	2022	2021
Revenue recognized over time (membership dues)	\$ 1,402,259	\$ 1,154,807
Revenue recognized at a point in time (fees, advertising, and royalties)	1,569,831	1,592,059
	<u>\$ 2,972,090</u>	<u>\$ 2,746,866</u>

Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions and are recognized as revenue in the period the unconditional pledge is made and collectibility is reasonably assured.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. The expenses that are allocated include salaries, payroll taxes, benefits, printing, postage and mailing, travel, professional fees, communications, and other which are allocated on the basis of time and effort. Expenses for rent and depreciation are allocated based on square footage of area used. The methodologies used to allocate expenses on a functional basis are consistent during the periods presented.

Advertising Expense

The Association uses advertising to promote its programs and increase public awareness of the sport of practical shooting. The cost of advertising is expensed as incurred.

THE UNITED STATES PRACTICAL SHOOTING ASSOCIATION/IPSC

NOTES TO FINANCIAL STATEMENTS

Income Taxes

The Association is exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, income from USPSA Magazine advertising and website advertising is subject to taxation as unrelated business income. Federal income tax expense was \$28,806 and \$65,995 for the years ended December 31, 2022 and 2021, respectively. The Association paid \$21,200 in cash for income taxes during the year ended December 31, 2022. There was no cash paid for income taxes for the year ended December 31, 2021.

Subsequent Events

The Association has evaluated subsequent events through the date these financial statements were available to be issued, which was August 29, 2023.

Note 2 – Liquidity and Availability of Resources

The Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in cash and cash equivalents and other short-term investments.

The following table reflects the Association's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include the board-designated funds. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 1,007,628	\$ 1,547,655
Investments	2,148,109	2,411,319
Accounts receivable	7,793	8,676
	<u>3,163,530</u>	<u>3,967,650</u>
Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	(26,915)	(25,102)
	<u>\$ 3,136,615</u>	<u>\$ 3,942,548</u>