

World Cube Association

Independent Accountant's Review Report and Reviewed Financial Statements

As of and for the Year Ended December 31, 2022



WORLD CUBE ASSOCIATION

Note on updates to the 2022 Financial Report

The World Cube Association (WCA) originally published its 2022 Financial Report to the WCA website on 25 April 2023. Following that date and prior to filing its financial statements with the applicable regulatory bodies, the WCA engaged Aldridge & Associates to conduct an independent financial review.

This review resulted in several adjustments to the WCA's originally published financial statements, although it did not alter the WCA's strong financial position. Specifically, the changes were:

- **Donated services:** the adjusted WCA financial statements recognize the value of donated professional services (and corresponding software, legal, or accounting expense) that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, at fair value.
- **Major Championship timing:** the timing of recognition of sponsorship revenue and expense items related to major championships has been updated to reflect the timing of events and contractual obligations. Where this does not align to actual cash movements, deferred revenue/prepayment amounts are reflected on the balance sheet.
- **Program expense allocation:** the allocation of website and software expenses as a program expense was adjusted to reflect that a portion of the WCA's website expenditure relates to administrative and operating activities, not programs.

The statements below incorporate these changes and serve as the final financial report for 2022. Also included is the Independent Accountant's Review Report.

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Independent Accountant's Review Report

To Management and the Board of
World Cube Association
Redding, California

We have reviewed the accompanying financial statements of World Cube Association (a not-for-profit entity) (the 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 (U.S. GAAP); 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. GAAP.



K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
Duluth, Georgia
November 14, 2023

World Cube Association

Statement of Financial Position As of December 31, 2022

Assets

Cash and cash equivalents	\$	85,583
Accounts receivable		6,656
Intangible assets		46,462
Other assets		<u>3,800</u>
Total assets	\$	<u>142,501</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$	<u>-</u>
Total liabilities		<u>-</u>

Net assets:

Without donor restrictions:		
Undesignated		142,501
With donor restrictions:		
Purpose restrictions		<u>-</u>
Total net assets		<u>142,501</u>
Total liabilities and net assets	\$	<u>142,501</u>

World Cube Association

Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains and losses:			
Equipment sales	\$ 45,353	\$ -	\$ 45,353
Less cost of equipment	46,303	-	46,303
Gain (loss) on equipment sales	(950)	-	(950)
Contributions	703	-	703
Donated services	38,840	-	38,840
Sponsorship income	230,000	-	230,000
Dues income	81,666	-	81,666
Merchandise sales	2,059	-	2,059
Other income	615	-	615
Net assets released from restrictions	-	-	-
Total revenues, support and gains and losses	352,933	-	352,933
Expenses:			
Program activities	236,050	-	236,050
Supporting activities:			
Management and general	21,672	-	21,672
Total support activities	21,672	-	21,672
Total expenses	257,722	-	257,722
Changes in net assets	95,211	-	95,211
Net assets, beginning of year	47,290	-	47,290
Net assets, end of year	\$ 142,501	\$ -	\$ 142,501

World Cube Association

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Activities	Supporting Activities		Total expenses by nature
		Management and general	Total	
Competition support	\$ 202,413	\$ -	\$ -	\$ 202,413
Fees for services	-	4,600	4,600	4,600
Information technology	30,422	10,140	10,140	40,562
Competition equipment	49,518	-	-	49,518
Other expenses	-	6,932	6,932	6,932
Total expenses by function	282,353	21,672	21,672	304,025
Less expenses included with revenues on the statement of activities	(46,303)	-	-	(46,303)
Total expenses included in the expense section on the statement of activities	<u>\$ 236,050</u>	<u>\$ 21,672</u>	<u>\$ 21,672</u>	<u>\$ 257,722</u>

World Cube Association

Statement of Cash Flows For the Year Ended December 31, 2022

Cash flows from operating activities

Cash provided by operating activities:

Cash received from donors	\$ 703
Cash received from sponsors	200,000
Cash received from equipment sales	45,353
Cash received from dues	76,000
Cash received from merchandise sales	2,059
Cash received from other sources	615

Cash used by operating activities:

Cash paid for equipment sold	(46,303)
Cash paid to service providers and vendors	(225,189)

Net cash provided by operating activities	53,238
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Net increase in cash and cash equivalents	53,238
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Cash and cash equivalents, beginning of year	32,345
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Cash and cash equivalents, end of year	\$ 85,583
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Reconciliation of change in net assets to net cash used by operating activities:

Changes in net assets	\$ 95,211
Capitalized in-kind expenses	(960)
Noncash additions to intangible assets	(4,631)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Accounts receivable	(5,666)
Intangible assets	(347)
Other assets	(369)
Deferred revenue	(30,000)

Net cash provided by operating activities	\$ 53,238
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Supplemental disclosure of noncashflow information:

In-kind revenues	38,840
In-kind expenses	(37,880)

1. NATURE OF ACTIVITIES

World Cube Association (the Organization), is a not-for-profit entity that was formed in 2017. The Organization's objectives are to act as the world governing body for the sport of speedcubing, build and sustain an inclusive community around the sport of speedcubing, and to compile and enforce regulations governing the sport of speedcubing. The mission of the Organization is to encourage, conduct and sponsor public discussion groups, forms, panels, lectures, workshops and competitions in school and other public places under friendly, fair, equal, fun and sportsmanlike conditions for twisty puzzle solving. The Organization strives to carry on other charitable activities associated with these purposes as allowed by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes cash and checking accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash balances may exceed federally insured amounts. As of December 31, 2022, the Organization does not hold any balances that exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable, which consist of amounts owed to the Organization related to competition dues from competition organizers are recorded at the amounts billed less an estimated allowance for bad debts. The Organization has determined that no allowance for bad debts was required as of December 31, 2022

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

As of December 31, 2022 and 2021, the balances for amounts yet to be received for contracts was \$0.

Intangible Assets

The Organization capitalizes intangible assets that are not amortizable. Costs incurred to renew or extend the term of a recognized intangible asset are capitalized. The Organization performs an annual review in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the intangible is impaired. The impairment review process compares the fair value of the reporting unit in which the intangible resides to its carrying value. The determination of whether the intangible has become impaired involves a significant level of judgement in the assumptions underlying the approach used to determine the value of the Organization's reporting units. Changes in the Organization's strategy and/or market conditions could significantly impact these judgements and require adjustments to recorded amounts of intangible assets.

Contract Liability

Amounts received relating to contracts are recorded as a contract liability and recognized as revenue when earned.

As of December 31, 2022, the balance for amounts yet to be recognized for contracts was \$0. In order for revenue to be recognized, expenses totaling the amount to be recognized must be incurred or the agreement must be completed, which is usually 1-2 years from the signing date of the agreement. Accordingly, all amounts yet to be recognized from contracts are classified as short-term or long-term based on the signing of the agreement.

Fair Value Measurement

When required or elected, the Organization reports certain assets and liabilities (financial instruments) at fair value (the estimated price at which an asset can be sold or a liability settled in an orderly transaction to a third party under current market conditions) using appropriate valuation techniques based on available inputs.

Available inputs are categorized (based on the amount of subjectivity associated with the information source) using a three-level fair value hierarchy defined by U.S. GAAP as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices for identical assets and liabilities

Level 3 – Unobservable inputs supported by little or no market activity

The Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 are not available.

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by Board decisions.
- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Contributions are reported when made, which is generally when cash is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

Sponsorship Income

Sponsorship income is derived from contracts with sponsors for major competition events. Income from these contracts are recognized (up to the contract ceiling) to the extent of expenses. Revenues received in advance are recorded as deferred revenue until funds have been expended on agreed upon program services.

Dues Income

Dues income is derived from registration fees paid by competitors of competitions put on by the Organization's volunteer competition organizers. All dues are invoiced to competition organizers and are to be paid within 30 days of the end of the competition. Invoiced dues are recognized as revenue in the period earned.

Notes to Financial Statements (Continued) For the Year Ended December 31, 2022

Dues are calculated using the greater of 5% of registration fees, or a set value of dues based on cost-of-living and other measures of the national economy for the country that the competition is held in as decided by the Organization's Finance Committee. In October 2022, the 5% of registration fees was increased to 15% and the set value of dues was adjusted by the Finance Committee.

The Organization does waive dues for countries that are new to the Organization for either the first five competitions held or the first two years after the first competition is held in that country, whichever comes first. The Organization also waives dues for countries that experience economic and/or currency instability on a case-by-case basis at the discretion of the Finance Committee.

Equipment Income

Equipment income is income received from competition organizers for equipment paid for by the Organization. Competition organizers are invoiced for applicable equipment purchases and shipping costs after costs are incurred by the Organization. Accordingly, invoiced equipment purchases are recognized as revenue in the period earned. Once payment is received from competition organizers, the ownership and title of the equipment is passed to the competition organizers.

Merchandise Sales

Merchandise sales are from sales of merchandise designed by the Marketing Advisory Committee or competition organizers. Merchandise is sold at select competitions and on the Organization's website.

For sales of merchandise designed and sold by competition organizers, the Organization receives 10% of all revenues collected by the competition organizers, which is invoiced by the Organization at the conclusion of the competition and payable within 30 days of the end of the competition. Invoiced sales are recognized as revenue in the period earned.

Donated Services

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Volunteers contribute significant amounts of time to our program and supporting activities. No value has been assigned to this volunteer time.

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for competition support, competition equipment and fees for services all expenses are allocated based on an estimate of where time and efforts are made, and benefits are received. Competition support and competition equipment occurs as a result of program activities; accordingly, they are allocated to program activities. Fees for services occur as a result of services provided for management; accordingly, they are allocated to management and general.

Advertising Costs

Advertising costs (which are included in other expenses and consist primarily of direct advertisements, graphic design, promotional materials, and participation in community events) are expensed as incurred. Advertising costs totaled \$0 during 2022.

Tax-Exempt Status

The Organization has been organized as a California nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501 (c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2022 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes a tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the IRS and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2020.

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

Credit Risk

At December 31, 2022, there was no credit risk associated with accounts receivable since all outstanding amounts were collected timely.

3. INTANGIBLE ASSETS

At December 31, 2022, non-amortizable intangible assets consisted of the following:

	Gross Amount	Accumulated Impairment Losses	Net
Balance, December 31, 2021	\$ 40,524	\$ -	\$ 40,524
Additions	5,938	-	5,938
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2022	<u>\$ 46,462</u>	<u>\$ -</u>	<u>\$ 46,462</u>

There were no other changes to non-amortizable intangible assets during 2022, other than those reported in the schedule above, such as impairment losses, net exchange differences, or other changes in carrying amounts. Further, during the fourth quarter of 2022, management performed its annual impairment review and determined that the carrying value of the assets were not impaired.

At December 31, 2022, there were no amortizable intangible assets.

4. NET ASSETS

At December 31, 2022, net assets totaled \$142,501, the entirety of which was undesignated.

During 2022, \$0 of net assets were released from donor restrictions by incurring expenses satisfying the restriction specified by donors.

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

5. REVENUE DISAGGREGATION

The following table disaggregates revenue by timing and geography for 2022:

Year ended December 31, 2022		
Timing of revenue recognition		
Recognized at a point in time	\$	122,933
Transferred over time		230,000
Total revenues	\$	352,933
Year ended December 31, 2022		
Revenue by geography:		
• Africa		0.2%
• Asia		2.1%
• Europe		8.0%
• North America		86.5%
• Oceania		2.4%
• South America		0.7%
Total revenues		100.0%

A summary of assets and liabilities from contracts follows:

	December 31, 2022	January 1, 2022
Accounts receivable	\$ -	\$ -
Contract asset, current	-	-
Contract asset, noncurrent	-	-
Contract liability, current	-	30,000
Contract liability, noncurrent	-	-

The Organization had a sponsor contributing approximately 65% of total revenue.

6. DONATED SERVICES

Donated services received during 2022 totaled \$38,840.

The fair value of the contributed services is based on the hourly rates that would be charged for conducting the services provided in the normal course of business. The Organization relied completely on level 3 fair market values provided by donors for the contribution of services.

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

During 2022, all donated services were unrestricted and used in program operations as follows:

		Supporting Activities		
	Program Activities	Management and general	Total	Totals by type
Donated fees for services	\$ 24,960	\$ 12,920	\$ 12,920	\$ 37,880
Capitalized costs:				
Intangible assets				960
				\$ 38,840

7. RELATED PARTY TRANSACTIONS

During 2022, the Organization received donated services from affiliated board members totaling \$4,600 (see Note 6).

8. LIQUIDITY AND AVAILABILITY DISCLOSURES

As of December 31, 2022, the Organization held unrestricted cash and cash equivalents on hand to meet over three and a half months of normal operating expenses. Average monthly cash disbursements were approximately \$22,625 during 2022.

The Organization prepares an annual budget that is reviewed and approved by the Board in advance of the upcoming year. Periodic meetings are held by the Board to review internal financial statements and budget to actual comparisons. Management does not commit to expenditures if cash is not available to pay the expenditures immediately.

Following is a schedule, as of December 31, 2022, reflected the financial assets available to meet cash needs for general expenditures within one year:

Financial assets, at year end:	
Cash and cash equivalents	\$ 85,583
Accounts receivable	6,656
	92,239
Less:	
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure	-
	\$ 92,239

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2022

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2023, which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the statement of financial position, but are not recognized if the conditions did not exist at the statement of financial position date. The Organization discloses non-recognized events if required to keep the financial statements from being misleading. No subsequent events were identified by the Organization for disclosure.
