

Climbing Wall Association, Inc. Annual Report 2005



Photo Courtesy Entre Prises USA

I. Letter from Chairman of the Board

June 3, 2006

Dear CWA Members and Supporters:

Before there were manufactured climbing walls, the rock climbing community was a tight-knit niche sport made up primarily of outdoor enthusiasts with a passion for rock climbing and mountaineering. Fast forward 19 years from the inception of the first climbing gym in 1987 and we see that the sport of rock climbing has taken on many forms and has worked its way into many different industries outside of the climbing community. You now see manufactured climbing walls in health clubs, recreation centers, schools, playgrounds, and even amusement parks, fairs, and shopping malls.

In the beginning, the climbing gym was a place for enthusiasts to train and learn more about the sport, and an avenue for newcomers to enter the sport. In an effort to attract new people to the sport, you now see gyms providing services to a broad and growing range of customers such as school groups, social organizations, families with small children, and others. The unintended consequences of our own success and the migration of the sport of rock climbing into different parts of society include: changing client expectations about risk and safety; a lack of awareness of the inherent risks of climbing; a less forgiving audience when incidents or injuries do occur; increasing numbers of insurance claims and litigation; unnecessary incidents and injuries due to sub-par management and instruction; increasing government regulation by states; and an erosion of the traditional core values of competency and personal responsibility that have been part of climbing for decades.

I believe we must address the issues of our core values and define who we are – together as an industry. Personally, I do not believe we are part of the amusement industry, we are not part of the playground industry, and we are not part of the entertainment industry. We are climbers and participants in a sport with a long and impressive heritage. I believe we are a distinct industry that promotes the sport of rock climbing and we should grow our businesses accordingly. This means that we must show respect to the traditions of the sport of climbing and that our customers deserve to be educated about those traditions and its core values of competence and personal responsibility. This involves education about the inherent risks of the sport, the acquisition of knowledge and skills necessary to participate in the sport, and, hopefully, the development of good judgment over time.

I believe it is our duty to be responsible stewards of this sport. One important way we can do this is by growing a dynamic trade association – the CWA – that involves, engages, and develops a healthy membership that is eager to get involved and helps guide us through the bewildering maze of current issues the industry faces.

The CWA is the only trade association in North America that is addressing these issues in our industry. In order for our industry, or any other industry, to continue to be viable and healthy, there must be a trade association that addresses key issues that affect not only the businesses represented, but also the customers who use the products or services of that

industry. We have the opportunity today to take the lead in the future direction of the industry, if we act together and if we act soon.

Contrary to some of my observations above, I do see a bright future for the manufactured climbing wall industry. The potential is enormous, and the opportunities are endless, but we must become more pro-active and cooperative regarding the key issues we all face. I challenge you to engage constructively with one another and with us in growing the CWA. I believe the CWA can be the cornerstone for this industry in achieving the goals of a growing, healthy, and prosperous industry.

Sincerely,

Rich Johnston, Chairman
Climbing Wall Association, Inc.

II. Summary of 2005 Activities and Accomplishments

- New full-time Executive Director and new office in Boulder, Colorado;
- Board of Directors Election and expansion of the Board to six members;
- Transfer of Intellectual Property from Outdoor Industry Association to CWA;
- National distribution of Industry Practices – CWA practice standards;
- Acquired, revised, and distributed ClimbSmart! Program materials nationally;
- Creation and distribution of new CWA Newsletter “Lines”;
- Acquisition of copyright to ASTM draft standard for Design and Engineering of Artificial Climbing Structures;
- Initiated two standards development projects:
 - Revision of practice standards;
 - Revision of engineering standards;
- Significant Government Affairs/Lobbying Activity: Ohio, Massachusetts, and other states;
- Greatly expanded member communications and membership development programs, including two CWA member meetings;
- Development of climbing wall industry public relations program.

Executive Director. The CWA Board of Directors undertook a significant number of activities in 2005. The Board initiated a hiring process and hired its first full time employee in March of 2005. William Zimmermann was hired as the organization’s first Executive Director. Bill Zimmermann, an experienced association administrator, came to the CWA from the Association for Experiential Education (AEE) where he developed a successful accreditation program for the outdoor education community. Bill was tasked with development of the CWA into a viable, self-sufficient, trade association with a variety of programs and services. An important priority for the year was to consolidate resources and leverage those resources into increased membership and participation by members in the affairs of the organization.

Office, Member Meetings, Board Elections. Accomplishments for 2005 included opening a new office in Boulder, Colorado; hosting three meetings of the Board of Directors; hosting two member meetings one in Boulder, Colorado, one in Boston, Massachusetts; maintaining a presence at the Outdoor Retailer summer and winter market trade shows; redrafting the association by-laws, holding a Board of Directors election. The Board of Directors issued a call for nominations for new board members in the fall, reviewed completed written applications, interviewed candidates, and approved the applicants for open board positions. Eric Meade, President of Entre Prises USA; Rich Cook, General Manager of Eldorado Wall Company; and Robert Angell, an Ohio attorney, were all elected to the board. With the completion of the election the CWA successfully made the transition from the corporation's founding Board of Directors to an elected Board of Directors.

Transfer of Intellectual Property. The CWA was successful in negotiating the transfer of much of the intellectual property of the climbing specialty groups of the OIA to the CWA in the summer of 2005. The transfer agreement grants CWA exclusive ownership of all trademarks, copyrights, original artwork, and intellectual property, for the following publications, programs, and data: the *Industry Practices*, the *ClimbSmart!* Program, *A Guide to Building Your Climbing Wall*; *How to Market Your Climbing Gym*; *A Journalist's Guide to Climbing*; *The Route Setter's Guide*; *FYI Brochures*; and handhold strength testing materials and data analyzed by an independent laboratory. These materials will be revised, re-branded, and re-distributed as association resources allow.

Communications, Public Relations, and Publications. The CWA greatly expanded its communications with its membership and communications on behalf of its membership to the outside world this year issuing alerts, press releases, newsletters, and publications internationally. *The CWA communicates with its members primarily electronically. If you are a member and you are not hearing from us regularly via e-mail, please contact us immediately to update your contact information with our office and to receive any back issues of any communications you require.*

The CWA distributed the *Industry Practices* to all current members in 2005, and revised and distributed the first piece in a series of pieces to be developed under the *ClimbSmart!* Program. All members current as of January 1st 2005 were provided with up-to-date versions of these publications. The CWA also established a new electronic newsletter titled "*Lines*" in 2005. Six editions of "*Lines*" have been distributed to all current members and subscribers. Subscribers to CWA publications exceed our membership by a factor of three.

Our public relations agenda includes raising awareness of the climbing wall industry, and the sport of indoor climbing, as a responsible industry offering healthy and enjoyable recreational activities for the active public. The CWA has become an effective communications channel for the industry.

Liability Insurance Program. The CWA, and Stratus Insurance Services, have worked hard to preserve the insurability of the climbing industry through the Outdoor Education and Recreation Insurance Program (ORIP). ORIP is a risk purchasing group organized by Stratus and underwritten by a highly rated insurance carrier. A.M. Best rated our insurance carrier A+ (superior), XV (2 billion or more in statutory surplus and related accounts), with a stable

outlook for the next 12 to 36 months. This is all good news if you are insured through CWA's insurance program.

The ORIP risk purchasing group places us in an organized pool together, giving us a much stronger position as a group of members rather than just one facility or gym which would have to negotiate rates individually. In addition, the ORIP has become skilled at underwriting our type of business. By combining our insurance purchasing power into one pool, we help to maintain fair rates, stability in our part of the insurance market, and consistent availability. Conversely, the fewer eligible organizations that participate: the higher the rates; the less stable our insurance market; and the more volatile availability becomes over the long term. When insurance was hard to find or simply not available in the recent past, and premiums were soaring, ORIP provided CWA members with stability of premiums and good coverage.

The insurance program has seen relatively few limit losses over the last five years and remains secure for the foreseeable future. ORIP has fought frivolous claims against our members, while still paying millions when valid claims have been presented over the years. Our long term security as an industry relies on your sound business decisions looking at *all of the factors* that will ultimately impact you, the insurance pool, and the entire climbing wall industry over the years to come. What remains constant is that due to wide-spread participation, the program remains very secure.

It would be prudent to consider where your business would be if your insurance was not with a highly rated, stable company; or if it were difficult to find; or just unavailable at rates you could afford. The CWA is here to ensure that this does not happen. Because of the generous support and sound management of Stratus Insurance Services, the nationwide distribution of minimum standards of practice by the CWA, the implementation of sound training programs at climbing facilities, and the care and attention you pay to your clients, our insurance program is healthy today.

Thanks for doing your part to keep losses at a minimum, and for your continued support of this critically important insurance program.

Standards Development. The CWA was also very active in the area of standards development in 2005. The first step in positioning the organization to be effective in the area of standards development was the drafting and adoption of ANSI-compliant policies and procedures for standard setting. The Board of Directors approved the policy document in August of 2005. Next the organization polled the major manufacturers of artificial climbing structures, and member builders, regarding the disposition of the draft ASTM standards for the design and engineering of artificial climbing structures, a decisive majority of respondents voted to request removal of the draft standard from the ASTM. CWA made the request in writing in October and ASTM granted copyright to the draft standard to the CWA in November. The CWA is now forming an engineering standards committee to complete work on this draft standard.

The CWA also developed and approved a charter for an operations standards committee which will be responsible for the revision and maintenance of the Industry Practices – the

practice standards for climbing facilities. The CWA received a number of qualified applicants for this committee and will be forming the committee in the first half of 2006.

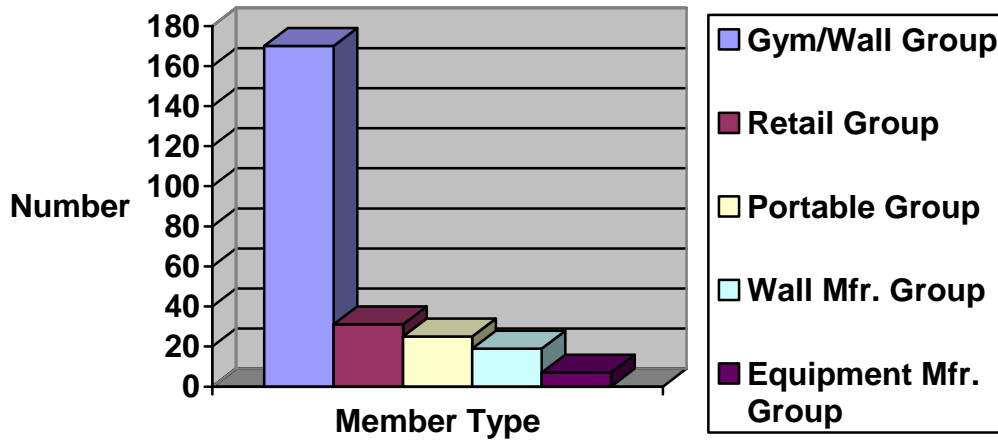
Government Affairs/Lobbying Activity. The CWA initiated its first efforts in the arena of government affairs in 2005. Across the U.S. certain states and provinces have begun to regulate climbing facilities as amusement venues. Most states and provinces restrict the regulation of climbing facilities to those clearly covered by existing amusement licensing statutes (i.e. portable climbing structures with auto-belay devices, structures located in amusement venues, and structures operated with limited or no supervision or operated on a “pay to play” basis). Some states, including Massachusetts, New Jersey, Pennsylvania, and Ohio have or have attempted to regulate all climbing facilities, regardless of type of use or type of venue, as amusements.

The CWA opposes this regulatory approach and has allocated considerable time and resources to this issue in a few states, most notably in Ohio and Massachusetts. In the State of Ohio, the CWA has successfully assisted members, and their attorneys, in avoiding regulation as amusement venues. The CWA advises its members in all states to consult an attorney prior to submitting to licensure and inspection as an amusement venue. It is the position of the CWA that most of our members operate recreational climbing facilities, not entertainment or amusement venues.

In Massachusetts, the CWA has worked with a coalition of organizations in an attempt to influence the course of regulation in the Commonwealth. The CWA sponsored a member meeting in Boston, MA in December to inform our members of regulatory developments in the Commonwealth. We have also submitted recommendations to the Massachusetts Department of Public Safety regarding revisions to amusement device regulations, assisted in the drafting of an alternative licensing statute for challenge courses and climbing facilities in the Commonwealth, and continue to advocate on behalf of our members. The CWA believes that developments in Massachusetts may have negative consequences nationally if this regulatory approach continues. To date, no other climbing related organizations have allocated significant resources to this issue.

Membership Development. Total membership in the CWA has remained stable for 2005. The organization began the year with approximately 150 members and ended the year with approximately 150 members. Membership in the organization is beginning to diversify, purpose built climbing facilities are still a majority of members in the CWA. However, significant gains by different types of organizations such as: college and university programs, park and recreation programs, schools, YMCA’s, health and fitness clubs, and other non-traditional member types were noted this year. Member retention exceeded seventy percent in 2005, but will need to improve to eighty percent or better in the future as new member programs and services are implemented. Participation by members and active involvement of members in association activities is an issue; this industry segment is not particularly well-organized or engaged, and does not yet operate to its capacity. Clearly, membership in the organization must increase in the coming year if the various initiatives started in 2005 are to continue to fruition, a key to this development will be outreach to new members in 2006.

CWA Membership by Group



III. Objectives for 2006

- Increased member communications and further member development, increasing member numbers and rate of growth;
- Continue efforts to promote a positive perception of the climbing wall industry through CWA's public relations efforts;
- Complete web site redesign;
- Promoting a positive business and legal climate for the climbing wall industry;
- Identify and cultivate industry sponsors for various CWA projects and initiatives;
- Re-brand and redistribute publications acquired from OIA;
- Form Operations Standards Committee and revise *Industry Practices*;
- Form Engineering Standards Committee and publish *Design and Engineering Standards for Artificial Climbing Structures* in the USA;
- Further develop the *ClimbSmart!* program;
- Significant Government Affairs/Lobbying Activity: Ohio, Massachusetts, and other states;
- Begin planning for a CWA-sponsored event or conference.

IV. Financial Statements as of December 31, 2005

MacRae Accounting, P.C.
Catherine MacRae, CPA
Post Office Box 4323
Boulder, Colorado 80306
tel: 303-440-5365 fax: 303-544-2117

To The Board of Directors of Climbing Wall Association, Inc.:

We have compiled the accompanying statement of financial position of Climbing Wall Association, Inc. as of December 31, 2005, and the related statement of activities, and the statement of cash flows for the twelve months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. We are not independent with respect to Climbing Wall Association, Inc.

Management has elected to omit substantially all of the disclosures ordinarily included in the financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed of such matters.

MacRae Accounting, P.C.

Boulder, Colorado
March 18, 2006

Climbing Wall Association, Inc.
Statement of Financial Position
As of December 31, 2005 – Accrual Basis

ASSETS	<u>Dec 31, 05</u>
Current Assets	
Checking/Savings	
Key Bank	<u>9,357.88</u>
Total Checking/Savings	9,357.88
Accounts Receivable	
Accounts Receivable	<u>925.00</u>
Total Accounts Receivable	925.00
Other Current Assets	
Undeposited Funds	<u>300.00</u>
Total Other Current Assets	<u>300.00</u>
Total Current Assets	10,582.88
Fixed Assets	
Furniture, Fixtures, Equipment	3,024.95
Accumulated Depreciation	<u>-561.00</u>
Total Fixed Assets	2,463.95
Other Assets	
Software	1,414.60
Intangible Assets	157.07
Accumulated Amortization	<u>-437.00</u>
Total Other Assets	<u>1,134.67</u>
TOTAL ASSETS	<u>14,181.50</u>
LIABILITIES & NET ASSETS	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts payable	<u>490.63</u>
Total Accounts Payable	490.63
Other Current Liabilities	
Officer PTO Accrued	800.31
Payroll Liabilities	
Fed W/H, FICA, Med	1,051.74
FUTA	56.00
State W/H	450.00
SUTA	<u>-22.50</u>
Total Payroll Liabilities	<u>1,535.24</u>
Total Other Current Liabilities	<u>2,335.55</u>
Total Current Liabilities	2,826.18
Long Term Liabilities	
Note Payable - Stratus Ins Svcs	<u>7,100.00</u>
Total Long Term Liabilities	<u>7,100.00</u>
Total Liabilities	9,926.18
NET ASSETS	
Unrestricted (Operating)	656.70
Net Investment in Furniture, Equipment, and Intangible Assets	<u>3,598.62</u>
Total Liabilities and Net Assets	<u>4,255.32</u>
TOTAL LIABILITIES & EQUITY	<u>14,181.50</u>

Climbing Wall Association, Inc.
Statement of Activities
January through December 2005 – Accrual Basis

CHANGES IN UNRESTRICTED NET ASSETS	<u>Jan - Dec 05</u>
Revenues	
Publications	\$ 740.00
Membership Dues	58,600.00
Shipping	20.63
Total Unrestricted Revenues	<u>\$ 59,360.63</u>
Expense	
Equipment Supplies	\$ 286.22
Advertising & Marketing	325.50
Amortization	437.00
Bank & Merchant Fees	551.58
Depreciation	561.00
Director Fees	1,500.00
Dues & Subscriptions	150.22
Equipment Rental and Maintenance	290.37
Fees	80.64
Health Insurance - Officer	2,420.51
Legal Fees	4,997.88
Meals & Entertainment	88.51
Office Expense	107.37
Other Miscellaneous Expenses	161.19
Outside Services	1,962.10
Payroll Expenses	
Employee Benefits	800.31
Officers Salary	39,319.96
Payroll Taxes	3,315.98
Total Payroll Expenses	<u>43,436.25</u>
Payroll Processing	74.42
Postage and Delivery	1,095.49
Printing and Reproduction	984.97
Professional Services fees	1,533.75
Supplies and Materials	1,263.21
Telecommunications	
Internet	600.40
Telephone	1,622.98
Total Telecommunications	<u>2,223.38</u>
Travel	
Transportation	2,821.49
Lodging	657.08
Food	640.30
Total Travel	<u>4,118.87</u>
Total Expense	<u>\$68,650.43</u>
(Decrease) Increase in Unrestricted Net Assets	<u>(9,289.80)</u>
(Decrease) Increase in Net Assets	(9,289.80)
Net Assets at Beginning of Year	<u>13,545.12</u>
Net Assets at End of Year	<u>\$4,255.32</u>

Climbing Wall Association, Inc.
Statement of Cash Flows
January through December 2005

CASH FLOWS FROM OPERATING ACTIVITIES	<u>Jan - Dec 05</u>
Change in Net Assets	-9,289.80
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-925.00
Accounts payable	-1,200.27
Officer PTO Accrued	800.31
Payroll Liabilities	<u>1,535.24</u>
Net cash provided by Operating Activities	-9,079.52
 CASH FLOWS FROM INVESTING ACTIVITIES	
Furniture, Fixtures, Equipment (Net of Accumulated Depreciation)	-2,463.95
Software & Intangible Assets (Net of Accumulated Amortization)	-1,134.67
Net cash provided by Investing Activities	-3,598.62
 CASH FLOWS FROM FINANCING ACTIVITIES	
Note Payable - Stratus Insurance Svcs	<u>7,100.00</u>
Net cash provided by Financing Activities	<u>7,100.00</u>
Net cash (decrease) increase for period	<u>-5,578.14</u>
Cash at beginning of period	<u>15,236.02</u>
Cash at end of period	<u>9,657.88</u>

V. Board of Directors

Rich Johnston – Chair

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Term Expires: 12/31/2009

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Rich Cook

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Eric Meade, A.I.A.

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Term Expires: 12/31/2009

Nate Postma

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St. Paul, MN 55106
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Email: nate@nicros.com
URL: www.nicros.com
Term Expires: 12/31/2009

VI. About the Climbing Wall Association

The Climbing Wall Association, Inc. (CWA) is a 501(c)(06), non-profit, industry trade association incorporated in the State of Utah, and operating from offices in the State of Colorado. The CWA is the only trade association addressing the risk management, public policy, and other interests specific to the climbing wall industry and climbing wall operators. CWA members are typically manufacturers of climbing wall equipment, builders of climbing walls, operators of climbing walls, and others involved in the climbing industry. Our mission involves providing services, standards, support, and advocacy for our members and the climbing community.

The CWA provides benefits to members who hold a membership with the organization which is renewed annually. The benefits of membership in the CWA include the typical benefits of trade association membership including, but not limited to: access to an association insurance program; advocacy and lobbying efforts by the association on behalf of member organizations; free copies of current industry standards, and '*Lines*' the association newsletter; and access to all association products and services at reduced member rates.