

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
Financial Statements
For the Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ultimate Players Association
d/b/a USA Ultimate
Boulder, Colorado

We have audited the accompanying financial statements of Ultimate Players Association d/b/a USA Ultimate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Ultimate as of December 31, 2013, 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.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
June 5, 2014

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
Statement of Financial Position
December 31, 2013

ASSETS

| | |
|-------------------------------|---------------------|
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 1,601,207 |
| Accounts receivable, net | 70,950 |
| Inventory | 24,500 |
| Prepaid expenses and deposits | <u>26,623</u> |
| Total current assets | 1,723,280 |
| CERTIFICATE OF DEPOSIT | 244,210 |
| PROPERTY AND EQUIPMENT: | |
| IT infrastructure system | 176,219 |
| Furniture and equipment | 39,368 |
| Computer equipment | 18,436 |
| Software | <u>77,732</u> |
| | 311,755 |
| Less accumulated depreciation | <u>(114,862)</u> |
| Property and equipment - net | 196,893 |
| OTHER ASSETS | <u>3,500</u> |
| TOTAL ASSETS | <u>\$ 2,167,883</u> |

LIABILITIES AND NET ASSETS

| | |
|-------------------------------------|---------------------|
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 240,316 |
| Accrued liabilities | 56,871 |
| Current portion of deferred revenue | <u>279,886</u> |
| Total current liabilities | 577,073 |
| DEFERRED REVENUE | <u>214,852</u> |
| Total liabilities | 791,925 |
| NET ASSETS: | |
| Unrestricted | 1,375,868 |
| Temporarily restricted | <u>90</u> |
| Total net assets | <u>1,375,958</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,167,883</u> |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

| | Unrestricted | Temporarily Restricted | Totals |
|---|--------------|---------------------------|--------------|
| REVENUE: | | | |
| Membership dues | \$ 1,666,087 | \$ | \$ 1,666,087 |
| Competition and athlete programs | 536,169 | | 536,169 |
| Sponsorship and licensing | 347,686 | | 347,686 |
| National teams | 124,850 | | 124,850 |
| Sport development and outreach | 107,960 | | 107,960 |
| Sales | 58,014 | | 58,014 |
| Cost of goods sold | (48,452) | | (48,452) |
| Coach and observer development program | 31,880 | | 31,880 |
| Contributions | 21,703 | 90 | 21,793 |
| Interest income | 11,306 | | 11,306 |
| Other income | 7,830 | | 7,830 |
| | 2,865,033 | 90 | 2,865,123 |
| EXPENSES: | | | |
| Program services: | | | |
| Triple Crown Tour, Beach and Masters events and programs | 479,092 | | 479,092 |
| Communications and publications | 392,357 | | 392,357 |
| Marketing and sponsorship | 339,321 | | 339,321 |
| Youth events and programs | 303,984 | | 303,984 |
| National teams | 269,134 | | 269,134 |
| College events and programs | 213,822 | | 213,822 |
| Member services | 136,068 | | 136,068 |
| Sport development and outreach | 123,950 | | 123,950 |
| Event standards/Spirit of the Game/ rules/disc standards | 105,098 | | 105,098 |
| Coach and observer development programs | 92,373 | | 92,373 |
| AE system | 77,902 | | 77,902 |
| International programs | 52,545 | | 52,545 |
| | 2,585,646 | | 2,585,646 |
| Supporting services: | | | |
| Board of directors | 91,346 | | 91,346 |
| Fundraising | 74,118 | | 74,118 |
| Operations | 73,646 | | 73,646 |
| | 239,110 | | 239,110 |
| Total supporting services | 239,110 | | 239,110 |
| Total expenses | 2,824,756 | | 2,824,756 |
| CHANGE IN NET ASSETS | 40,277 | 90 | 40,367 |
| NET ASSETS, beginning of year | 1,335,591 | | 1,335,591 |
| NET ASSETS, end of year | \$ 1,375,868 | \$ 90 | \$ 1,375,958 |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
Statement of Cash Flows
For the Year Ended December 31, 2013

| | <u>2013</u> |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ 40,367 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | |
| Depreciation | 35,809 |
| Decrease (increase) in assets: | |
| Accounts receivable, net | (63,200) |
| Inventory | (4,500) |
| Prepaid expenses and deposits | 15,590 |
| Increase (decrease) in liabilities: | |
| Accounts payable | 185,359 |
| Accrued liabilities | (26,417) |
| Deferred revenue | <u>(2,743)</u> |
| Total adjustments | <u>139,898</u> |
| Net cash provided by operating activities | 180,265 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Proceeds from certificates of deposit | 489,442 |
| Acquisition of property and equipment | <u>(94,656)</u> |
| Net cash provided by investing activities | <u>394,786</u> |
| NET INCREASE IN CASH | 575,051 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>1,026,156</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 1,601,207</u> |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
Notes to Financial Statements
For the Year Ended December 31, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Ultimate (Corporation) is the national governing body for the sport of Ultimate and is a member of the World Flying Disc Federation. The Corporation is responsible for the promotion and development of the sport of Ultimate in the United States.

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Corporation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Membership Registrations

Membership dues consist of lifetime and annual registrations and are recognized as revenue over the duration of the membership. Lifetime memberships are recognized over fifteen years.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in the Corporation's checking and money market accounts. The Corporation maintains its cash and cash equivalents at commercial banks. In the event of a bank failure, the Corporation might only be able to recover the amounts insured.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of discs, rulebooks, DVD's, manuals, and guides.

Furniture and Equipment

Furniture and equipment is recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. All acquisitions of furniture and equipment in excess of \$200 are capitalized.

Depreciation is recorded using the straight-line method over estimated useful lives of three to seven years.

Depreciation expense was \$35,809 for the year ended December 31, 2013.

Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the year ended December 31, 2013.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that an allowance for doubtful accounts at December 31, 2013 of \$1,000 is necessary.

Accounts receivable outstanding for more than 60 days are considered delinquent. Delinquent receivables are determined to be uncollectible on a case by case basis and are written off to bad debt expense at such point of determination.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary expenses. For the year ended December 31, 2013, the Corporation's supporting service expenses amounted to 8.35% of total support and revenue.

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 the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Donated Services

The Corporation receives a substantial amount of donated services in carrying out its programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958, "Not-For-Profit Entities".

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 5, 2014, the date that the financial statements were available to be issued.

B. CERTIFICATE OF DEPOSIT

Certificate of deposit at December 31, 2013 consists of one certificate from a commercial bank in the amount of \$244,210 earning interest at a rate of .70% and maturing June 19, 2015. The Corporation intends to hold this certificate until maturity.

Notes to Financial Statements

C. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2013:

| | |
|--------------------------|-------------------|
| Membership dues | \$ 395,599 |
| Lifetime membership dues | 83,330 |
| Other | 10,309 |
| Sanctioned event fees | <u>5,500</u> |
| | <u>\$ 494,738</u> |

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are available for Play it Forward.

E. RETIREMENT PLAN

The Corporation has a SIMPLE retirement plan for its employees. Employees are eligible to make contributions to the plan if they expect to receive at least \$5,000 in compensation during the year. The Corporation matches 100% of the voluntary contributions of its employees up to 3% of the employee's compensation for the calendar year. Employer contribution expense amounted to \$20,014 for the year ended December 31, 2013.

F. LEASES

The Corporation leases office space under an operating lease. This lease requires monthly payments of \$5,308 through December 31, 2014 and allows for a month to month lease after December 31, 2014. Lease expense for the year ended December 31, 2013 amounted to \$57,540.

Future minimum lease payments for the years ending December 31 are as follows:

| | |
|------|-----------|
| 2014 | \$ 63,696 |
|------|-----------|