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**ULTIMATE PLAYERS ASSOCIATION**

FINANCIAL STATEMENTS

for the years ended

December 31, 2005 and 2004

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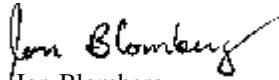
Board of Directors  
Ultimate Players Association

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Ultimate Players Association (a Colorado nonprofit organization) as of December 31, 2005 and 2004, and the related statement of financial activity and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ultimate Players Association, as of December 31, 2005 and 2004, and the results of its activities for the years then ended in conformity with generally accepted accounting principles in the United States of America.

  
Jon Blomberg  
Certified Public Accountant

June 19, 2006  
Boulder, Colorado

# ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

## STATEMENT OF FINANCIAL POSITION

as of December 31

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 544,190	\$ 384,584
Certificates of deposit	101,717	21,897
Accounts receivable	20,785	10,812
Inventory	2,498	3,605
Security deposit	2,457	2,200
Prepaid expenses	<u>8,120</u>	<u>15,088</u>
Total current assets	679,767	438,186
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	38,260	37,820
Less accumulated depreciation	<u>(23,927)</u>	<u>(17,666)</u>
Net property and equipment	<u>14,333</u>	<u>20,154</u>
TOTAL ASSETS	<u>\$ 694,100</u>	<u>\$ 458,340</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 58,647	\$ 32,988
Accrued liabilities	7,308	7,607
Deferred revenue	<u>95,522</u>	<u>47,790</u>
Total current liabilities	161,477	88,385
NET ASSETS		
Unrestricted net assets	507,623	336,955
Designated by the Board for information systems	25,000	25,000
Designated by the Board for brand research	<u>-</u>	<u>8,000</u>
Total net assets	<u>532,623</u>	<u>369,955</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 694,100</u>	<u>\$ 458,340</u>

See Notes to Financial Statements

## ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

### STATEMENT OF FINANCIAL ACTIVITY and CHANGES IN NET ASSETS

*for the years ended December 31*

	2005	2004
<u>UNRESTRICTED NET ASSETS:</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>		
Membership dues	\$ 684,273	\$ 626,642
Championship series	152,898	130,770
Corporate sponsorship	103,051	101,289
Merchandise sales	46,440	34,963
Cost of sales	(32,899)	(23,794)
Outreach	38,777	29,802
National Teams	-	74,905
Youth Outreach	13,917	12,562
Advertising	11,425	11,250
Donations	24,311	19,971
Miscellaneous	1,671	6,020
Sanctioning	3,435	2,985
Interest and dividends	9,209	4,000
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,056,508</b>	<b>1,031,365</b>
<b>EXPENSES</b>		
Program services		
Championship series	268,447	214,133
Public relations and communications	135,580	118,003
National teams	46,714	113,399
Member services	108,084	97,339
Youth development	107,191	100,298
Marketing	50,175	46,928
Outreach	69,898	70,267
International	10,132	17,439
SOTG/ Rules	12,583	12,012
Total program expenses	808,804	789,818
Supporting services		
Headquarters	33,658	26,172
Board of directors	45,638	37,603
Fundraising	5,740	2,275
Total supporting services	85,036	66,050
<b>Total Expenses</b>	<b>893,840</b>	<b>855,868</b>
<b>CHANGE IN NET ASSETS</b>	<b>162,668</b>	<b>175,497</b>
Net assets, beginning of year	369,955	194,458
Net assets, end of year	<b>\$ 532,623</b>	<b>\$ 369,955</b>

See Notes to Financial Statements

## ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

### STATEMENT OF CASH FLOWS

*for the years ended December 31*

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 162,668	\$ 175,497
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	10,002	5,622
Decreases (increases) in operating assets:		
Accounts receivable	(3,636)	(419)
Prepaid expenses	631	(8,124)
Inventory	1,107	5,084
Security deposit	(257)	-
Increase (decrease) in operating liabilities:		
Accounts payable	25,659	25,602
Accrued liabilities	(299)	(586)
Deferred revenue	<u>47,732</u>	<u>(13,050)</u>
Net cash flows from operating activities	243,607	189,626
Cash flows from investing activities:		
Purchase of property and equipment	(4,944)	(8,847)
Disposal of property and equipment	763	1,483
Decrease (increase) in certificates of deposit	<u>(79,820)</u>	<u>(582)</u>
Net cash flows from investing activities	(84,001)	(7,946)
NET INCREASE (DECREASE) IN CASH	159,606	181,680
Cash at beginning of period	<u>384,584</u>	<u>202,904</u>
Cash at December 31	<u>\$ 544,190</u>	<u>\$ 384,584</u>

## **ULTIMATE PLAYERS ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ultimate Players Association (Association), have been prepared on the accrual basis. The preparation of financial statements requires the organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below.

#### Organization

Ultimate Players Association serves as the governing body of the sport of Ultimate in the United States of America, making it responsible for the promotion and support of the sport, preserving the integrity of the sport and serving the needs of the players.

#### Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### Contributions

The Association has adopted SFAS Number 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS Number 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in temporarily nor permanently restricted net assets.

#### Cash and Cash Equivalents

The Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the Association's checking and money market accounts. The Association maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure the Association might only be able to recover the amounts insured.

#### Allowance for Doubtful Accounts

The Association considers its accounts receivable to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

#### Inventory

Inventory consists of discs, videos, publications, clothing and other merchandise and it is valued at the lower of cost or market.

## **ULTIMATE PLAYERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS**

### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Functional Expenses

The Association allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs or support services are allocated based on various statistical relationships.

#### Credit Risk

Assets that potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents, and investments. The Association places its investments with high credit quality financial institutions and limits its amount of credit exposure to any one financial instrument.

#### Land, Buildings and Equipment

The Association capitalizes all expenditures for land, building, equipment and furniture in excess of \$200. Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Costs of repairs and maintenance are charged to operating expense as they are incurred.

#### Donated Services

No amounts have been reflected in the financial statements for donated services. The Association pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association with specific programs, and various committee assignments. The value of these services has not been recognized in these financial statements because the criteria for recognition under SFAS Number 116 have not been satisfied.

#### Advertising

The Association follows a policy of charging the costs of advertising to expense as incurred.

#### Comparative Financial Information

The financial information shown for 2004 in the accompanying financial statement is included to provide a basis for comparison with 2005 and presents summarized totals only. Such information should be read in conjunction with Association's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

#### Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### **Note 2 - INCOME TAXES**

The Association is exempt from Federal Income Taxes under Section 501(c)(3) of the United States Internal Revenue Code. Association is also exempt from State of Colorado Income Taxes. The Association has also been classified as an entity that is not a private foundation.



**ULTIMATE PLAYERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

Note 3 - MARKETABLE SECURITIES

The Association carries investments in marketable securities with a readily determinable fair value and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Note 4 – LEASE AGREEMENT

The Association leases office space under a noncancelable-operating lease requiring payments of \$2,600 per month through November 30, 2008. Future minimum lease payments are \$31,200 for 2006 and 2007 as well as \$28,600 for 2008.

Note 5 – DEFERRED REVENUE

The Association recognized membership dues as revenue when earned. Lifetime membership dues are amortized over 15 years. Deferred revenue consists of the following:

	as of December 31	
	2005	2004
2006 membership dues	\$ 53,502	\$ 35,180
Lifetime membership dues	38,687	-
Corporate sponsorships	-	11,310
One-time only fees	578	500
Youth outreach	1,580	-
Sanction event fees	1,175	800
Totals	\$ 95,522	\$ 47,790

Note 6 – CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2005 consist of a certificate from a commercial bank with the following term:

Maturity Date	Interest Rate	Principal Balance
April 11, 2006	3.45%	\$ 101,717

The Association intends to hold this certificate until maturity.