

**ULTIMATE PLAYERS ASSOCIATION  
d/b/a USA ULTIMATE  
USA ULTIMATE FOUNDATION  
Financial Statements  
For the Year Ended December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidating financial statements of Ultimate Players Association d/b/a USA Ultimate and USA Ultimate Foundation (nonprofit organizations) which comprise the consolidating statements of financial position as of December 31, 2015, and the related consolidating statements of activities 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 consolidating 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 consolidating 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 consolidating 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidating 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 Corporation'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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of USA Ultimate and USA Ultimate Foundation as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited USA Ultimate's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*  
Colorado Springs, Colorado  
May 31, 2016

ULTIMATE PLAYERS ASSOCIATION  
d/b/a USA ULTIMATE  
USA ULTIMATE FOUNDATION  
Consolidating Statements of Financial Position  
December 31, 2015  
(With Consolidated Totals for 2014)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2015	Consolidated Totals 2014
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 843,892	\$ 76,617	\$	\$ 920,509	\$ 887,879
Certificates of deposit	494,049			494,049	245,859
Accounts receivable, net	46,662			46,662	84,149
Due from USA Ultimate Foundation	9,988		(9,988)		
Inventory	18,711	1,500		20,211	26,000
Prepaid expenses & deposits	43,586			43,586	35,836
Total current assets	1,456,888	78,117	(9,988)	1,525,017	1,279,723
LONG-TERM INVESTMENTS	738,320			738,320	744,103
PROPERTY AND EQUIPMENT:					
IT infrastructure system	292,887			292,887	239,277
Furniture and equipment	56,591			56,591	41,668
Computer equipment	25,182			25,182	20,245
Leasehold improvements	11,959			11,959	
Other depreciable projects	6,600			6,600	6,600
Software	4,714			4,714	5,086
	397,933			397,933	312,876
Less accumulated depreciation	(136,234)			(136,234)	(89,836)
Property and equipment - net	261,699			261,699	223,040
OTHER ASSETS	1,300			1,300	1,300
TOTAL ASSETS	<u>\$ 2,458,207</u>	<u>\$ 78,117</u>	<u>\$ (9,988)</u>	<u>\$ 2,526,336</u>	<u>\$ 2,248,166</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable	302,688			302,688	258,674
Due to USA Ultimate		9,988	(9,988)		
Accrued liabilities	95,415			95,415	60,342
Current portion of deferred revenue	393,054			393,054	288,555
Total current liabilities	791,157	9,988	(9,988)	791,157	607,571
DEFERRED REVENUE	224,039			224,039	246,767
Total liabilities	1,015,196	9,988	(9,988)	1,015,196	854,338
NET ASSETS:					
Unrestricted	1,443,011	29,900		1,472,911	1,381,920
Unrestricted - Board designated		3,300		3,300	
Temporarily restricted		34,929		34,929	11,908
Total net assets	1,443,011	68,129		1,511,140	1,393,828
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,458,207</u>	<u>\$ 78,117</u>	<u>\$ (9,988)</u>	<u>\$ 2,526,336</u>	<u>\$ 2,248,166</u>

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION  
 d/b/a USA ULTIMATE  
 USA ULTIMATE FOUNDATION  
 Consolidating Statements of Activities and Changes in Net Assets  
 For the Year Ended December 31, 2015  
 (With Consolidated Totals for 2014)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2015	Consolidated Totals 2014
<b>REVENUE:</b>					
Membership dues	\$ 2,011,386	\$	\$	\$ 2,011,386	\$ 1,804,277
Competition & athlete programs	808,346			808,346	611,765
Sponsorship & licensing	399,975			399,975	374,623
National teams	236,893			236,893	152,677
Sport development & sanctioning	99,393			99,393	85,923
Sales	61,658			61,658	56,615
Cost of goods sold	(57,334)			(57,334)	(47,066)
Grants	51,000			51,000	
Coach & observer development program	31,844			31,844	31,005
Contributions		24,494		24,494	26,750
Satisfied program restrictions	5,735	5,735		11,470	
Other income	3,000			3,000	4,200
Investment income	602			602	680
USA Ultimate Foundation grants	3,300		(3,300)		
Loss on sale of equipment	(49)			(49)	
<b>Total revenue</b>	<b>3,655,749</b>	<b>30,229</b>	<b>(3,300)</b>	<b>3,682,678</b>	<b>3,101,449</b>
<b>EXPENSES:</b>					
<b>Program services:</b>					
Triple Crown Tour, Masters Events & programs	510,165			510,165	589,350
Youth events & programs	472,482			472,482	314,670
Communications & publications	443,427			443,427	384,073
National teams	391,637			391,637	285,706
Marketing & sponsorship	372,435			372,435	345,511
College events & programs	249,350			249,350	218,974
Member services	201,691			201,691	161,975
Community & sport development	173,422			173,422	189,071
Coach & observer development programs	132,937			132,937	104,037
Event standards/Spirit of the Game/ rules/disc standards	108,850			108,850	107,497
Beach events & programs	73,512			73,512	
International programs	63,113			63,113	21,757
AE system	47,107			47,107	68,005
USA Ultimate grants		3,300	(3,300)		
<b>Total program services</b>	<b>3,240,128</b>	<b>3,300</b>	<b>(3,300)</b>	<b>3,240,128</b>	<b>2,790,626</b>

Supporting services:					
Operations	187,413	7,642		195,055	145,823
Board of directors	87,196			87,196	106,035
Fundraising	53,444	12,564		66,008	53,003
Total supporting services	<u>328,053</u>	<u>20,206</u>		<u>348,259</u>	<u>304,861</u>
Total unrestricted expenses	<u>3,568,181</u>	<u>23,506</u>		<u>3,588,387</u>	<u>3,095,487</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>87,568</u>	<u>6,723</u>	<u>(3,300)</u>	<u>94,291</u>	<u>5,962</u>
TEMPORARILY RESTRICTED NET ASSETS					
Play It Forward	1,279	14,307	(1,279)	14,307	7,932
Pufahl/Farricker Awards	480	12,000	(480)	12,000	
Girls Ultimate		1,304		1,304	
National Teams	3,976	1,145	(3,976)	1,145	3,976
Less satisfied program restrictions	<u>(5,735)</u>	<u>(5,735)</u>	<u>5,735</u>	<u>(5,735)</u>	
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		<u>23,021</u>		<u>23,021</u>	<u>11,908</u>
CHANGE IN NET ASSETS	87,568	29,744		117,312	17,870
NET ASSETS, beginning of year	<u>1,355,443</u>	<u>38,385</u>		<u>1,393,828</u>	<u>1,375,958</u>
NET ASSETS, end of year	<u>\$ 1,443,011</u>	<u>\$ 68,129</u>	<u>\$</u>	<u>\$ 1,511,140</u>	<u>\$ 1,393,828</u>

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION  
d/b/a USA ULTIMATE  
USA ULTIMATE FOUNDATION  
Consolidating Statements of Cash Flows  
For the Year Ended December 31, 2015  
(With Consolidated Totals for 2014)

	USA Ultimate	USA Ultimate Foundation	Consolidated Totals 2015	Consolidated Totals 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 87,568	\$ 29,744	\$ 117,312	\$ 17,870
Adjustments to reconcile the change in net assets to net cash provided by operating activities:				
Depreciation & amortization	55,251		55,251	53,833
Realized & unrealized loss on investments	10,031		10,031	7,952
Decrease (increase) in assets:				
Accounts receivable, net	37,487		37,487	(21,296)
Due from USA Ultimate Foundation	(1,891)		(1,891)	
Inventory	5,789		5,789	(1,500)
Prepaid expenses & deposits	(7,750)		(7,750)	(7,013)
Increase in liabilities:				
Accounts payable	44,014		44,014	26,455
Due to USA Ultimate		1,891	1,891	
Accrued liabilities	35,073		35,073	3,471
Deferred revenue	81,771		81,771	40,584
Total adjustments	259,775	1,891	261,666	102,486
Net cash provided by operating activities	347,343	31,635	378,978	120,356
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Certificate of deposit, net	(248,190)		(248,190)	
Long-term investments, net	(4,248)		(4,248)	(1,649)
Acquisition of property & equipment	(94,549)		(94,549)	(79,980)
Disposal of property & equipment	639		639	
Purchase of investments				(752,055)
Net cash used by investing activities	(346,348)		(346,348)	(833,684)
NET INCREASE (DECREASE) IN CASH	995	31,635	32,630	(713,328)
CASH AND CASH EQUIVALENTS, beginning of year	842,897	44,982	887,879	1,601,207
CASH AND CASH EQUIVALENTS, end of year	\$ 843,892	\$ 76,617	\$ 920,509	\$ 887,879

See Notes to Financial Statements



ULTIMATE PLAYERS ASSOCIATION

d/b/a USA ULTIMATE

USA ULTIMATE FOUNDATION

Notes to Consolidating Financial Statements

For the Year Ended December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of USA Ultimate are being presented on a consolidated basis with the USA Ultimate Foundation in order to conform to the requirements of FASB ASC 958. The Statement requires consolidation when one nonprofit has a financial interest and controls the appointment of a majority of the board of directors of another nonprofit entity.

Transactions between the two entities are shown as eliminating entries and removed in order to properly reflect consolidated totals.

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.

The USA Ultimate Foundation (Foundation) was incorporated in 2014. The purpose of the Foundation is to raise funds and acquire assets that will enable USA Ultimate to encourage, improve and promote the sport of Ultimate in the United States.

Income Taxes

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

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

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 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 annual, two-year, three-year, five-year and lifetime registrations and are recognized as revenue over the duration of the membership. Lifetime memberships are recognized over fifteen years.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in the Corporation's and the Foundation's checking and money market accounts. The Corporation and Foundation maintain their cash and cash equivalents at commercial banks. In the event of a bank failure, the Corporation and the Foundation 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, guides and clothing.

#### 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 \$750 are capitalized.

Depreciation and amortization is recorded using the straight-line method over estimated useful lives of three to seven years. Depreciation and amortization expense for the years ended December 31, 2015 and 2014, was \$55,251 and \$53,833, respectively.

#### Supplemental Cash Flow Disclosures

The Corporation and the Foundation paid no interest or income taxes during the years ended December 31, 2015 and 2014.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Accounts Receivable

Accounts receivable are stated at the amount the Corporation and Foundation expect 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, 2015 and at 2014 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.

#### Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary expenses. For the years ended December 31, 2015 and 2014, the Corporation's supporting service expenses amounted to 8.97% and 8.77%, respectively, 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.

#### Prior Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Donated Services

The Corporation and the Foundation receive a substantial amount of donated services in carrying out their 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 May 31, 2016, the date that the financial statements were available to be issued.

### B. FAIR VALUE MEASUREMENTS

The Corporation and Foundation apply Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities, accessible to the Corporation and Foundation at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs that are not corroborated by market data.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2015 and 2014:

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 494,049	\$	\$	\$ 494,049
USOE pooled fund		738,320		738,320
	<u>\$ 494,049</u>	<u>\$ 738,320</u>	<u>\$</u>	<u>\$ 1,232,369</u>

Assets at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 245,859	\$	\$	\$ 245,859
USOE pooled fund		744,103		744,103
	<u>\$ 245,859</u>	<u>\$ 744,103</u>	<u>\$</u>	<u>\$ 989,962</u>

The Corporation has placed its investments in a pooled investment fund sponsored and managed by the United States Olympic Endowment (USOE). The USOE invests on behalf of the United States Olympic Committee (USOC) and various national sports organizations recognized by the USOC.

As of December 31, 2015, the USOE portfolio was invested in the following types of securities:

	<u>2015</u>
Alternative investments	35.58%
Domestic equities	29.88
International equities	23.80
Domestic bonds	6.46
International bonds	2.84
Cash and cash equivalents	<u>1.44</u>
	<u>100.00%</u>

The alternative investments include hedge equity funds, private equity funds, real estate funds and limited partnerships.

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Corporation's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

Though the market values of investments are subject to fluctuation, management believes that the investment policy is prudent for the long-term welfare of the Corporation.

Investment income consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 10,633	\$ 8,632
Unrealized loss on securities	(38,678)	(8,285)
Realized gains on securities	<u>28,647</u>	<u>333</u>
	<u>\$ 602</u>	<u>\$ 680</u>

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2015 consist of certificates at investment firms with the following terms:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>
08/10/16	1.15%	\$ 247,951
02/09/17	1.15	<u>246,098</u>
		<u>\$ 494,049</u>

The Corporation intends to hold these certificates until maturity.

## Notes to Financial Statements

### E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Play it Forward	\$ 20,960	\$ 7,932
Pufahl/Farricker Awards	11,520	
Girls Ultimate	1,304	
National teams	<u>1,145</u>	<u>3,976</u>
	<u>\$ 34,929</u>	<u>\$ 11,908</u>

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2015 and 2014, net assets were released from restrictions as follows:

	<u>2015</u>	<u>2014</u>
National teams	\$ 3,976	\$
Play it Forward	1,279	90
Pufahl/Farricker Awards	<u>480</u>	<u></u>
	<u>\$ 5,735</u>	<u>\$ 90</u>

### F. 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 for the years ended December 31, 2015 and 2014, amounted to \$25,587 and \$22,295, respectively.

### G. LEASES

The Corporation entered into an operating lease for office and storage space in Colorado Springs, Colorado in January 2015. This lease requires monthly payments at an initial base rent of \$3,497 starting January 1, 2016.

The Corporation began occupying the space in January 2015, but the base rent was waived for 2015. The base rent increases annually and the lease expires on December 31, 2020.

## Notes to Financial Statements

### G. LEASES - Continued

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

2016	\$ 41,964
2017	45,688
2018	49,412
2019	53,136
2020	56,860

### H. TECHNOLOGY CONTRACT OBLIGATION

The Corporation entered into an agreement with a software and networking company to build a new online portal in October 2010. Under this agreement, the Corporation is required to pay a monthly license fee of \$3,000, beginning in November 2013 and continuing for 48 months. If the Corporation cancelled the agreement at December 31, 2015, the Corporation would be obligated to pay \$3,000 per month for the next 22 months.

### I. EMPLOYMENT CONTRACT

In January 2016, the Corporation entered into a six-year employment agreement with its Chief Executive Officer. Under the terms of the agreement, if the employee is terminated for any reason other than for cause as defined by the agreement, death of employee, or at the termination of the agreement, the Corporation will make a severance payment equal to the lesser of eighteen months of salary or the amount of salary remaining to be paid during the term of the agreement.