

**ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION**

Consolidating Financial Statements

For the Year Ended December 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidating Statement of Financial Position	3
Consolidating Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidating Statement of Cash Flows	6
Notes to Consolidating Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the 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 USA Ultimate and USA Ultimate Foundation (nonprofit organizations), which comprise the consolidating statement of financial position as of December 31, 2018, and the related consolidating statements of activities, consolidated functional expenses, and consolidating 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.

Auditor's 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 auditor's 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 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, 2018, 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.

Emphasis of Matter

As described in Note A to the financial statements, in 2018, USA Ultimate adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited USA Ultimate's December 31, 2017, consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
May 8, 2019

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Financial Position
December 31, 2018
(With Consolidated Totals for 2017)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2018	Consolidated Totals 2017
ASSETS					
CURRENT ASSETS:					
Cash & cash equivalents	\$ 1,457,645	\$ 223,933	\$	\$ 1,681,578	\$ 1,521,137
Certificates of deposit	505,370			505,370	499,463
Accounts receivable, net	66,406			66,406	34,571
Due from USA Ultimate Foundation	81,428		(81,428)		
Inventory	21,732			21,732	24,825
Prepaid expenses & deposits	44,947			44,947	187,241
Total current assets	2,177,528	223,933	(81,428)	2,320,033	2,267,237
LONG-TERM INVESTMENTS	875,970			875,970	903,484
PROPERTY & EQUIPMENT:					
IT infrastructure system	456,012			456,012	421,012
Furniture & equipment	40,754			40,754	39,179
Computer equipment	52,392			52,392	45,898
Event equipment	20,330			20,330	16,415
Leasehold improvements	11,959			11,959	11,959
Other depreciable projects	17,886			17,886	13,200
Software	6,589			6,589	3,400
Subtotal	605,922			605,922	551,063
Less accumulated depreciation	(391,003)			(391,003)	(295,313)
Property & equipment, net	214,919			214,919	255,750
OTHER ASSETS	1,300			1,300	1,300
TOTAL ASSETS	\$ 3,269,717	\$ 223,933	\$ (81,428)	\$ 3,412,222	\$ 3,427,771
LIABILITIES & NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	506,922			506,922	400,811
Due to USA Ultimate		81,428	(81,428)		
Accrued liabilities	62,115			62,115	103,042
Current portion of deferred revenue	449,519			449,519	545,202
Total current liabilities	1,018,556	81,428	(81,428)	1,018,556	1,049,055
DEFERRED REVENUE	295,059			295,059	271,162
Total liabilities	1,313,615	81,428	(81,428)	1,313,615	1,320,217
NET ASSETS:					
Without donor restrictions	213,814	64,920		278,734	443,099
Without donor restrictions - Board designated	1,742,288			1,742,288	1,579,603
With donor restrictions		77,585		77,585	84,852
Total net assets	1,956,102	142,505		2,098,607	2,107,554
TOTAL LIABILITIES & NET ASSETS	\$ 3,269,717	\$ 223,933	\$ (81,428)	\$ 3,412,222	\$ 3,427,771

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, 2018
 (With Consolidated Comparative Totals for 2017)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2018	Consolidated Totals 2017
SUPPORT & REVENUE - WITHOUT					
DONOR RESTRICTIONS					
Membership dues	\$ 2,605,797	\$	\$	\$ 2,605,797	\$ 2,424,245
Competition & athlete programs	916,747			916,747	904,507
Sponsorship & licensing	558,944			558,944	514,505
National teams	241,807			241,807	36,540
Sport development & sanctioning	93,778			93,778	83,987
50th Anniversary event		72,659		72,659	
Contributions	2,900	32,018		34,918	41,505
Education	23,814			23,814	32,837
Other income	19,650			19,650	10,914
Sales	65,162			65,162	64,678
Cost of goods sold	(55,698)			(55,698)	(49,904)
Investment income	(14,012)	78		(13,934)	134,734
Satisfied program restrictions	36,226	36,226	(36,226)	36,226	11,453
Total support & revenue	4,495,115	140,981	(36,226)	4,599,870	4,210,001
EXPENSES:					
Program services:					
Events & outreach programs					
TCT events & programs	509,708			509,708	605,908
Youth events & programs	421,055			421,055	441,867
College events & programs	307,789			307,789	314,496
Masters events & programs	163,577			163,577	
Beach events & programs	109,721			109,721	134,902
Total events & outreach programs	1,511,850			1,511,850	1,497,173
Marketing & communications	1,109,162			1,109,162	1,057,436
National teams	456,798			456,798	319,419
Community development	380,439			380,439	319,752
Member services	166,175			166,175	135,439
Education	130,569			130,569	159,625
Online technology	100,367			100,367	28,899
International	61,147			61,147	48,907
Event standards/Spirit of the Game/ rules/disc standards	39,509			39,509	32,917
USA Ultimate grants		36,226	(36,226)		
Total program services	3,956,016	36,226	(36,226)	3,956,016	3,599,567

Supporting services:					
Management, general &					
Board of Directors	387,707	16,812		404,519	357,191
Fundraising	<u>169,530</u>	<u>71,234</u>		<u>240,764</u>	<u>68,819</u>
Total supporting services	<u>557,237</u>	<u>88,046</u>		<u>645,283</u>	<u>426,010</u>
Total expenses	<u>4,513,253</u>	<u>124,272</u>	<u>(36,226)</u>	<u>4,601,299</u>	<u>4,025,577</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(18,138)	16,709		(1,429)	184,424
DONOR RESTRICTED SUPPORT & REVENUE					
Play It Forward	21,291	14,594	(21,291)	14,594	10,216
Girls Ultimate	14,200	14,114	(14,200)	14,114	15,019
Other Awards	30		(30)		6,300
National Teams	705		(705)		705
Less satisfied program restrictions	<u>(36,226)</u>	<u>(36,226)</u>	<u>36,226</u>	<u>(36,226)</u>	<u>(11,453)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		(7,518)		(7,518)	20,787
CHANGE IN NET ASSETS	(18,138)	9,191		(8,947)	205,211
NET ASSETS, beginning of year	<u>1,974,240</u>	<u>133,314</u>		<u>2,107,554</u>	<u>1,902,343</u>
NET ASSETS, end of year	<u>\$ 1,956,102</u>	<u>\$ 142,505</u>	<u>\$</u>	<u>\$ 2,098,607</u>	<u>\$ 2,107,554</u>

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

Program Services

	TCT Events & Programs	Youth Events & Programs	College Events & Programs	Masters Events & Programs	Beach Events & Programs	Marketing & Communication	National Teams	Community Development	Member Services
Accounting/audit services	\$ 628	\$ 858	\$ 523	\$ 272	\$ 204	\$ 2,019	\$ 305	\$ 574	\$ 367
Advertising		300				22,300			
Awards & gifts	36,814	26,181	6,789	6,668	4,273		110		
Bank fees	3,233	3,266	3,218	3,182	29	341	2,626	125	67,387
Conferences & meetings	125	4,426	104	54	41	601	61	114	73
Depreciation	6,979	9,545	5,817	3,025	2,273	22,452	3,391	6,379	4,083
Discretionary	832	1,138	693	361	271	7,508	150	1,005	526
Dues & memberships	197	387	186	158	151	219	33	62	40
Employee benefits	8,422	11,517	7,019	3,650	2,743	27,092	4,092	7,697	4,927
Equipment rental	49,209	19,097	13,290	11,125	10,347	407	250	116	74
Equity & diversity initiatives	158	3,387	8,960	69	51	5,409	77	21,435	92
Facility rental	71,958	27,505	21,357	7,600	71	698	26,304		
Food	45,210	25,085	33,483	4,544	14,030	9,262	38,524	824	98
Grants								111,404	
Insurance	10,398	14,221	8,666	4,507	3,387	33,451	5,052	9,503	6,084
Legal services	888	1,215	740	385	289	2,857	432	812	520
Management fees									
Marketing						413,901			
Merchandise COGS									
Miscellaneous	519	377	736	78	492	582	88	166	106
Occupancy	5,127	7,011	4,273	2,222	1,670	16,492	2,491	4,685	2,999
Officers compensation	2,550	2,628	2,514	2,429	2,406	82,470	103	195	125
Other communication costs	372	508	310	161	121	22,201	181	340	217
Other community dev. programs	15,043	144	103	17,085	77			98,113	
Other fees for services	57,655	22,843	30,881	15,264	8,058	133,872	2,948	879	491
Other outreach		20,344							
Other personnel expenses	670	916	558	290	218	2,154	325	612	392
Other salaries & wages	86,964	120,964	73,202	36,282	26,683	204,831	43,290	81,425	61,426
Payroll taxes	6,778	9,270	5,649	2,938	2,208	21,805	3,293	6,195	3,966
Phone/internet	1,618	2,154	1,375	791	634	5,081	709	1,334	1,608
Postage	2,794	5,079	1,425	922	2,877	499	155	1,676	743
Printing	833	4,501	657	517	109	12,963	36		3
Safe sport									7,900
Supplies	12,380	9,042	8,651	3,250	1,597	2,433	9,183	579	371
Team/player fees						205	36,488		
Technology	1,776	2,429	1,480	770	579	5,714	863	1,623	1,039
Travel	56,614	23,033	44,708	16,425	9,355	49,343	193,435	17,120	518
Value-in-kind	16,709	28,404	13,967	12,298	8,222		72,553	5,447	
Volunteer Appreciation	6,255	13,280	6,455	6,255	6,255		9,250		
	509,708	421,055	307,789	163,577	109,721	1,109,162	456,798	380,439	166,175
Less: cost of goods sold									
Total expenses as reported on the statement of activities	\$ 509,708	\$ 421,055	\$ 307,789	\$ 163,577	\$ 109,721	\$ 1,109,162	\$ 456,798	\$ 380,439	\$ 166,175

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services - Continued				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Education	Online Technology	International	Disc Standards & Rules		Management, General & Board of Directors	Fundraising		
Accounting/audit services	\$ 404	\$ 460	\$ 247	\$ 150	\$ 7,011	\$ 2,067	\$ 638	\$ 2,705	\$ 9,716
Advertising					22,600	500		500	23,100
Awards & gifts					80,835	778	12,271	13,049	93,884
Bank fees	709	66	35	94	84,311	2,543	91	2,634	86,945
Conferences & meetings	80	91	49	30	5,849	3,497	127	3,624	9,473
Depreciation	4,497	5,115	2,746	1,664	77,966	17,255	7,094	24,349	102,315
Discretionary	548	610	360	198	14,200	4,114	845	4,959	19,159
Dues & memberships	1,688	50	5,307	16	8,494	169	69	238	8,732
Employee benefits	5,426	6,172	3,314	2,008	94,079	20,821	8,560	29,381	123,460
Equipment rental	82	93	50	30	104,170	778	4,601	5,379	109,549
Equity & diversity initiatives	102	116	62	38	39,956	2,971	161	3,132	43,088
Facility rental	1,280				156,773	176	752	928	157,701
Food	3,524	123	359	361	175,427	7,050	40,824	47,874	223,301
Grants					111,404				111,404
Insurance	6,700	7,621	4,091	2,479	116,160	26,463	10,569	37,032	153,192
Legal services	572	651	349	212	9,922	2,656	903	3,559	13,481
Management fees						8,500	(8,500)		
Marketing					413,901	1,593	1,025	2,618	416,519
Merchandise COGS						55,698		55,698	55,698
Miscellaneous	317	133	71	44	3,709	447	564	1,011	4,720
Occupancy	3,303	3,757	2,017	1,222	57,269	12,675	5,211	17,886	75,155
Officers compensation	137	156	23,451	51	119,215	65,954	51,624	117,578	236,793
Other communication costs	240	272	146	89	25,158	3,394	378	3,772	28,930
Other community dev. programs					98,113				98,113
Other fees for services	841	615	330	850	275,527	19,574	11,417	30,991	306,518
Other outreach					32,452				32,452
Other personnel expenses	431	491	264	160	7,481	1,656	681	2,337	9,818
Other salaries & wages	57,404	65,297	11,689	21,370	890,827	154,845	47,649	202,494	1,093,321
Payroll taxes	4,367	4,968	2,667	1,616	75,720	16,758	6,889	23,647	99,367
Phone/internet	940	1,070	574	348	18,236	3,608	1,483	5,091	23,327
Postage	1,577	24	349	1,735	19,855	320	33	353	20,208
Printing	2,482			701	22,802	1,556	175	1,731	24,533
Safe sport					7,900				7,900
Supplies	1,045	465	249	194	49,439	1,582	2,331	3,913	53,352
Team/player fees					36,693				36,693
Technology	1,144	1,302	699	423	19,841	4,992	1,805	6,797	26,638
Travel	7,204	649	1,672	2,426	422,502	15,227	7,988	23,215	445,717
Value-in-kind	17,560				175,160		22,206	22,206	197,366
Volunteer Appreciation	5,965			1,000	54,715		300	300	55,015
	130,569	100,367	61,147	39,509	3,956,016	460,217	240,764	700,981	4,656,997
Less: cost of goods sold						(55,698)		(55,698)	(55,698)
Total expenses as reported on the statement of activities	\$ 130,569	\$ 100,367	\$ 61,147	\$ 39,509	\$ 3,956,016	\$ 404,519	\$ 240,764	\$ 645,283	\$ 4,601,299

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, 2018
(With Consolidated Comparative Totals for 2017)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2018	Consolidated Totals 2017
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ (18,138)	\$ 9,191	\$	\$ (8,947)	\$ 205,211
Adjustments to reconcile the change in net assets to net cash provided by operating activities:					
Depreciation & amortization	102,316			102,316	93,877
Realized & unrealized loss on investments	34,392			34,392	(119,625)
Decrease (increase) in operating assets:					
Accounts receivable, net	(42,064)	10,229		(31,835)	15,140
Intercompany receivables	(81,428)	15,228	66,200		
Inventory	1,593	1,500		3,093	311
Prepaid expenses & deposits	142,294			142,294	(161,293)
Increase (decrease) in operating liabilities:					
Accounts payable	106,111			106,111	107,033
Intercompany payables	(15,228)	81,428	(66,200)		
Accrued liabilities	(40,927)			(40,927)	(25,321)
Deferred revenue	(71,786)			(71,786)	166,415
Total adjustments	<u>135,273</u>	<u>108,385</u>		<u>243,658</u>	<u>76,537</u>
Net cash provided by operating activities	117,135	117,576		234,711	281,748
CASH FLOWS FROM INVESTING ACTIVITIES:					
Certificate of deposit, net	(5,907)			(5,907)	305
Long-term investments, net	(6,878)			(6,878)	(5,672)
Acquisition of property & equipment	(61,485)			(61,485)	(53,607)
Net cash used by investing activities	<u>(74,270)</u>			<u>(74,270)</u>	<u>(58,974)</u>
NET INCREASE IN CASH	42,865	117,576		160,441	222,774
CASH & CASH EQUIVALENTS, beginning of year	<u>1,414,780</u>	<u>106,357</u>		<u>1,521,137</u>	<u>1,298,363</u>
CASH & CASH EQUIVALENTS, end of year	<u>\$ 1,457,645</u>	<u>\$ 223,933</u>	<u>\$</u>	<u>\$ 1,681,578</u>	<u>\$ 1,521,137</u>

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, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations have adjusted the presentation of the consolidated financial statements, accordingly, applying the changes retrospectively to the comparative period presented except for the presentation of prior year expenses according to their natural classification which is allowable under transition guidance for ASU 2016-14. The new standards change the following aspects of the Organizations' financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 2,022,702	\$
Temporarily restricted net assets	84,852	
Net assets without donor restrictions		2,022,702
Net assets with donor restrictions		<u>84,852</u>
Total net assets	<u>\$ 2,107,554</u>	<u>\$ 2,107,554</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 controlling financial interest in another nonprofit entity through sole-corporate membership.

Transactions between the two entities are shown as eliminating entries and removed to properly reflect consolidated totals. Neither the total net assets nor the change in net assets of the Foundation are presented in the USA Ultimate columns of the consolidating financial statements.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organizations.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other purposes specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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. However, income from certain activities not directly related to the Corporation's and Foundation's tax-exempt purposes are subject to taxation as unrelated business income.

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.

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.

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 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.

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, 2018 and 2017, 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.

Inventory

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

As of the beginning of 2018, the Organizations began stating inventories prospectively at the lower of FIFO cost and net realizable value. This change was made in response to a recent FASB standard issued as part of the Financial Accounting Standards Board's simplification initiative.

Under the prior method, market was replacement cost, subject to possible adjustments. Net realizable value is generally based on the selling price. The change is intended to reduce complexity in financial statement preparation. This change had no significant effect on the change in net assets for 2018.

Furniture and Equipment

Furniture and equipment are 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Furniture and Equipment - continued

Depreciation and amortization are 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, 2018 and 2017, was \$102,316 and \$93,877 respectively.

Supplemental Cash Flow Disclosures

The Corporation and the Foundation paid no interest or income taxes during the years ended December 31, 2018 and 2017.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary expenses. The expenses are allocated based on internal records and estimates made by the Organizations' management. Personnel expenses are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services made by the Organizations' Management. For the years ended December 31, 2018 and 2017, the Corporation's supporting service expenses amounted to 12.40% and 9.82%, 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 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, 2017, from which the summarized information was derived.

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".

Advertising

The Corporation and the Foundation expense costs of advertising and promotion as such costs are incurred.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 8, 2019, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Organizations maintain liquid financial assets sufficient to cover 180 days of operating expenditures. Financial assets in excess of immediate cash requirements are invested in certificates of deposit, money market funds, savings accounts, and other short-term investments.

The following table reflects the Organizations' financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet operating expenditures within one year of the statement of financial position date because of internal board designations. Amounts not available include the operating reserve, set by the board of directors at 30% of annual budgeted expenses and other amounts for strategic surplus. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon; however, Management has no intent to do so.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,681,578	\$ 1,521,137
Accounts receivable, net	66,406	34,571
Investments in marketable securities	875,970	903,484
Other investments	505,370	252,938

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

Board designated amounts for reserves and strategic surplus	<u>(1,742,288)</u>	<u>(1,577,263)</u>
Total	<u>\$ 1,387,036</u>	<u>\$ 1,134,867</u>

Through the Foundation, the Corporation receives occasional contributions with donor restrictions to use in accordance with the associated purpose or time restrictions. The Corporation has donor restricted investments of \$77,585 and \$84,852 as of December 31, 2018 and 2017, respectively. Income from donor restricted contributions is restricted for specific purposes, and, therefore, is not available for general expenditure.

C. 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.

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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. The Organizations record transfers between levels at the end of the reporting period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017:

Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit USOE pooled fund	\$ 505,370	\$	\$	\$ 505,370
		875,970		875,970
	<u>\$ 505,370</u>	<u>\$ 875,970</u>	<u>\$</u>	<u>\$ 1,381,340</u>

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit USOE pooled fund	\$ 499,463	\$	\$	\$ 499,463
		903,484		903,484
	<u>\$ 499,463</u>	<u>\$ 903,484</u>	<u>\$</u>	<u>\$ 1,402,947</u>

The Corporation has placed a portion of 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, 2018, the USOE portfolio was invested in the following types of securities:

Alternative investments	39.11%
Domestic equities	29.74
International equities	18.32
Domestic bonds	6.77
International bonds	3.64
Cash and cash equivalents	<u>2.42</u>
	<u>100.00%</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 20,458	\$ 15,109
Unrealized gain on securities	(55,528)	57,235
Realized gain on securities	<u>21,136</u>	<u>62,390</u>
	<u>\$ (13,934)</u>	<u>\$ 134,734</u>

D. CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2018 consist of certificates at investment firms with the following terms:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>
08/10/19	0.25%	\$ 254,972
05/05/19	1.57	<u>250,398</u>
		<u>\$ 505,370</u>

The Corporation holds these certificates as available-for-sale investments.

Notes to Financial Statements

E. BOARD DESIGNATED NET ASSETS

At December 31, 2018 and 2017, the Corporation had designated unrestricted net assets in the amount of \$1,742,288 and \$1,579,603, respectively, for the following purposes:

	<u>2018</u>	<u>2017</u>
Operating reserve	\$1,390,975	\$1,277,970
Strategic Surplus	<u>351,313</u>	<u>301,633</u>
	<u>\$1,742,288</u>	<u>\$1,579,603</u>

F. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Play It Forward	\$ 31,909	\$ 38,605
Girls Ultimate	28,241	28,076
Pufahl/Farricker Awards	11,445	11,470
Bakko Spirit Award	5,990	5,996
National Teams	<u>705</u>	<u>705</u>
	<u>\$ 77,585</u>	<u>\$ 84,852</u>

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2018 and 2017, net assets were released from restrictions as follows:

	<u>2018</u>	<u>2017</u>
Play It Forward	\$ 15,121	\$ 2,565
Girls Ultimate	14,200	7,165
Ultimate Impact	6,170	
National Teams	705	1,393
Pufahl/Farricker Awards	25	25
Bakko Spirit Award	<u>5</u>	<u>305</u>
	<u>\$ 36,226</u>	<u>\$ 11,453</u>

G. 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.

Notes to Financial Statements

G. RETIREMENT PLAN - Continued

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, 2018 and 2017, amounted to \$32,920 and \$29,836, respectively.

H. 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.

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

2019	\$ 53,136
2020	56,860