

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

Consolidating Financial Statements

For the Year Ended December 31, 2019

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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, 2019, 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 Organizations' 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 Organizations' 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, 2019, 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 consolidating financial statements, in 2019, USA Ultimate and USA Ultimate Foundation adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited USA Ultimate's December 31, 2018, consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
August 21, 2020

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Financial Position
December 31, 2019
(With Consolidated Comparative Totals for 2018)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2019	Consolidated Totals 2018
ASSETS					
CURRENT ASSETS:					
Cash & cash equivalents	\$ 1,528,039	\$ 142,384	\$	\$ 1,670,423	\$ 1,681,578
Certificates of deposit	507,114			507,114	505,370
Accounts receivable, net	68,775			68,775	66,406
Due from related party	100	1,646	(1,746)		
Inventory	28,981			28,981	21,732
Prepaid expenses & deposits	174,005			174,005	44,947
Total current assets	2,307,014	144,030	(1,746)	2,449,298	2,320,033
LONG-TERM INVESTMENTS	1,047,318			1,047,318	875,970
PROPERTY & EQUIPMENT:					
IT infrastructure system	543,314			543,314	456,012
Furniture & equipment	40,754			40,754	40,754
Computer equipment	58,681			58,681	52,392
Event equipment	27,344			27,344	20,330
Leasehold improvements	11,959			11,959	11,959
Other depreciable projects	17,886			17,886	17,886
Software	6,589			6,589	6,589
Subtotal	706,527			706,527	605,922
Less accumulated depreciation	(496,883)			(496,883)	(391,003)
Property & equipment, net	209,644			209,644	214,919
OTHER ASSETS	1,300			1,300	1,300
TOTAL ASSETS	\$ 3,565,276	\$ 144,030	\$ (1,746)	\$ 3,707,560	\$ 3,412,222
LIABILITIES & NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 567,625	\$	\$	\$ 567,625	\$ 506,922
Due to related party	1,646	100	(1,746)		
Accrued liabilities	53,113			53,113	62,115
Current portion of deferred revenue	495,707			495,707	449,519
Total current liabilities	1,118,091	100	(1,746)	1,116,445	1,018,556
DEFERRED REVENUE	280,330			280,330	295,059
Total liabilities	1,398,421	100	(1,746)	1,396,775	1,313,615
NET ASSETS:					
Without donor restrictions	417,828	59,017		476,845	278,734
Without donor restrictions - Board designated	1,749,027			1,749,027	1,742,288
With donor restrictions		84,913		84,913	77,585
Total net assets	2,166,855	143,930		2,310,785	2,098,607
TOTAL LIABILITIES & NET ASSETS	\$ 3,565,276	\$ 144,030	\$ (1,746)	\$ 3,707,560	\$ 3,412,222

See Notes to Consolidating 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, 2019
(With Consolidated Comparative Totals for 2018)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2019	Consolidated Totals 2018
SUPPORT & REVENUE - WITHOUT					
DONOR RESTRICTIONS					
Membership dues	\$ 2,792,976	\$	\$	\$ 2,792,976	\$ 2,605,797
Competition & athlete programs	1,021,450			1,021,450	916,747
Sponsorship & licensing	546,513			546,513	558,944
Investment income (loss)	190,101	90		190,191	(13,934)
National teams fees	146,860			146,860	241,807
Sport development & sanctioning	101,063			101,063	93,778
Sales	70,876			70,876	65,162
Cost of goods sold	(46,565)			(46,565)	(55,698)
Contributions	636	28,098		28,734	34,918
Education	23,589			23,589	23,814
Other income	10,800			10,800	19,650
50th Anniversary event					72,659
Satisfied program restrictions	<u>22,394</u>	<u>22,394</u>	<u>(22,394)</u>	<u>22,394</u>	<u>36,226</u>
Total support & revenue	4,880,693	50,582	(22,394)	4,908,881	4,599,870
EXPENSES:					
Program services:					
Events & outreach programs					
TCT events & programs	526,225			526,225	509,708
Youth events & programs	501,029			501,029	421,055
College events & programs	360,844			360,844	307,789
Masters events & programs	167,383			167,383	163,577
Beach events & programs	<u>120,905</u>			<u>120,905</u>	<u>109,721</u>
Total events & outreach programs	1,676,386			1,676,386	1,511,850
Marketing & communications	1,076,799			1,076,799	1,109,162
Community development	409,056			409,056	380,439
National teams	370,406			370,406	456,798
Member services	174,971			174,971	166,175
Online technology	122,016			122,016	100,367
Education	120,895			120,895	130,569
International	61,156			61,156	61,147
Event standards/Spirit of the Game/ rules/disc standards	57,807			57,807	39,509
USA Ultimate grants		<u>22,394</u>	<u>(22,394)</u>		
Total program services	4,069,492	22,394	(22,394)	4,069,492	3,956,016

Supporting services:					
General & administrative	181,979	27,780		209,759	218,886
Equity, diversity & inclusion	197,741			197,741	
Board of Directors	164,552			164,552	185,633
Fundraising	<u>56,176</u>	<u>6,311</u>		<u>62,487</u>	<u>240,764</u>
Total supporting services	<u>600,448</u>	<u>34,091</u>		<u>634,539</u>	<u>645,283</u>
Total expenses	<u>4,669,940</u>	<u>56,485</u>	<u>(22,394)</u>	<u>4,704,031</u>	<u>4,601,299</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	210,753	(5,903)		204,850	(1,429)
DONOR RESTRICTED SUPPORT & REVENUE					
Girls Ultimate	14,100	15,446	(14,100)	15,446	14,114
Play It Forward	8,264	10,331	(8,264)	10,331	14,594
Other Awards	30	3,945	(30)	3,945	
Less satisfied program restrictions	<u>(22,394)</u>	<u>(22,394)</u>	<u>22,394</u>	<u>(22,394)</u>	<u>(36,226)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		<u>7,328</u>		<u>7,328</u>	<u>(7,518)</u>
CHANGE IN NET ASSETS	210,753	1,425		212,178	(8,947)
NET ASSETS, beginning of year	<u>1,956,102</u>	<u>142,505</u>		<u>2,098,607</u>	<u>2,107,554</u>
NET ASSETS, end of year	<u>\$ 2,166,855</u>	<u>\$ 143,930</u>	<u>\$</u>	<u>\$ 2,310,785</u>	<u>\$ 2,098,607</u>

See Notes to Consolidating Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2019
(With Consolidated Comparative Totals for 2018)

	Events & Outreach Programs									
	TCT Events & Programs	Youth Events & Programs	College Events & Programs	Masters Events & Programs	Beach Events & Programs	Marketing & Communications	Community Development	National Teams	Member Services	Online Technology
Accounting services & audit	\$ 659	\$ 868	\$ 566	\$ 214	\$ 221	\$ 1,982	\$ 499	\$ 468	\$ 417	\$ 544
Advertising						11,694				
Awards & gifts	40,882	21,358	8,426	9,002	5,344					
Bank fees	4,763	4,985	4,755	2,372	2,372	171	401	3,050	69,967	47
Conferences	251	331	416	82	84	755	190	178	159	207
Depreciation expense	7,439	9,798	6,384	2,416	2,488	22,362	5,627	5,280	4,708	6,139
Discretionary	612	801	527	201	207	7,686	746	424	387	492
Dues & memberships	95	117	86	36	36	208	52	49	44	57
Employee benefits	10,654	14,032	9,143	3,460	3,564	32,027	8,058	7,562	6,743	8,792
Equipment rental	41,634	26,679	36,290	12,135	10,852	391	98	653	82	107
EDI initiatives		5,616	10,734				8,694			
Facilities	89,800	26,525	9,055	26,886	46			7,966		
Food & drink	41,841	32,877	38,703	16,583	12,825	10,363	917	32,962	289	377
Grants							114,106			
Insurance	10,286	13,546	8,826	3,340	3,440	30,917	7,779	7,300	6,509	8,488
Legal services	1,088	1,433	934	353	364	3,272	823	773	689	898
Marketing						379,912				
Merchandise, COGS									46,565	
Occupancy	5,380	7,086	4,617	1,747	1,800	16,173	4,069	3,819	3,405	4,440
Office expenses	3,515	10,930	3,526	884	3,636	9,080	864	312	1,415	91
Officers compensation	2,508	2,508	2,508	2,508	2,508	87,784				
Other communication expense	640	746	593	263	266	14,724	251	235	210	274
Other fees for services	42,254	31,984	37,456	9,081	6,273	142,828	807	2,060	386	8
Other outreach costs		40,081					2,156			
Other personnel expenses	596	785	511	194	199	1,791		423	377	492
Other program expenses	21,995	5,759	6,373	7,850	5,704		137,160	832		
Other salaries & wages	95,614	128,734	81,735	29,407	30,359	206,320	74,001	69,445	70,889	80,737
Payroll taxes	7,241	9,537	6,214	2,352	2,422	21,766	5,477	5,140	4,583	5,975
Phone & internet	1,714	2,187	1,503	596	610	4,638	1,127	1,057	1,702	1,229
Safe sport							12,739			
Sales taxes	5,081	9,435								
Supplies	10,977	7,612	8,501	4,428	3,588	3,492	553	870	394	514
Team & player fees						697		29,173		
Technology	2,032	2,676	1,744	660	680	6,108	1,536	1,442	1,285	1,677
Travel	51,872	30,199	50,647	14,345	9,271	59,658	12,770	126,472	331	431
Value in kind (VIK)	16,952	34,932	12,221	12,063	7,821		7,105	49,961		
Volunteer appreciation	7,850	16,872	7,850	3,925	3,925			12,500		
Total expenses	526,225	501,029	360,844	167,383	120,905	1,076,799	409,056	370,406	221,536	122,016
Less cost of goods sold									(46,565)	
Total expenses on statement of activities	<u>\$ 526,225</u>	<u>\$ 501,029</u>	<u>\$ 360,844</u>	<u>\$ 167,383</u>	<u>\$ 120,905</u>	<u>\$ 1,076,799</u>	<u>\$ 409,056</u>	<u>\$ 370,406</u>	<u>\$ 174,971</u>	<u>\$ 122,016</u>

	Education	International	Disc Standards Rules / SOTG	Total Program	General & Administrative	Equity, Diversity & Inclusion	Board of Directors	Fundraising	Total Supporting Services	Consolidated Totals 2019	Consolidated Totals 2018
Accounting services & audit	\$ 363	\$ 249	\$ 211	\$ 7,261	\$ 1,448	\$ 600	\$ 627	\$ 143	\$ 2,818	\$ 10,079	\$ 9,716
Advertising				11,694						11,694	23,100
Awards & gifts	301			85,313				264	264	85,577	93,884
Bank fees	532	22	231	93,668	461	52	54	12	579	94,247	86,945
Conferences	138	95	80	2,966	350	229	239	55	873	3,839	9,473
Depreciation expense	4,092	2,811	2,381	81,925	10,363	6,767	7,079	1,619	25,828	107,753	102,316
Discretionary	328	226	571	13,208	831	543	1,294	130	2,798	16,006	19,160
Dues & memberships	38	5,306	22	6,146	96	63	66	15	240	6,386	8,732
Employee benefits	5,860	4,026	3,410	117,331	14,842	9,691	10,139	2,319	36,991	154,322	123,460
Equipment rental	72	49	347	129,389	181	118	124	28	451	129,840	109,549
EDI initiatives				25,044		54,787			54,787	79,831	43,088
Facilities	800		1,218	162,296			176		176	162,472	157,701
Food & drink	7,619	173	1,116	196,645	636	1,040	7,035	99	8,810	205,455	223,301
Grants				114,106						114,106	111,404
Insurance	5,657	3,887	3,291	113,266	15,083	9,355	9,788	2,238	36,464	149,730	153,192
Legal services	599	411	348	11,985	2,213	990	1,036	237	4,476	16,461	13,481
Marketing				379,912				0		379,912	416,519
Merchandise, COGS				46,565						46,565	55,698
Occupancy	2,959	2,033	1,722	59,250	7,495	4,894	5,120	1,171	18,680	77,930	75,155
Office expenses	786	42	2,252	37,333	155	101	186	24	466	37,799	49,459
Officers compensation	2,508	30,097		132,929	25,090	12,541	50,162	30,097	117,890	250,819	236,793
Other communication expense	182	125	106	18,615	1,869	301	315	72	2,557	21,172	28,930
Other fees for services	2,345	4	33	275,519	13	1,508	3,009	325	4,855	280,374	306,518
Other outreach costs				42,237						42,237	20,344
Other personnel expenses	328	225	191	6,563	830	542	567	130	2,069	8,632	9,818
Other program expenses	788			186,461						186,461	130,565
Other salaries & wages	51,303	6,876	31,407	956,827	111,215	76,452	42,941	15,195	245,803	1,202,630	1,093,321
Payroll taxes	3,983	2,736	2,317	79,743	10,087	6,586	6,890	1,576	25,139	104,882	99,367
Phone & internet	819	563	477	18,222	2,075	1,355	1,418	324	5,172	23,394	23,327
Safe sport				12,739						12,739	7,900
Sales taxes				14,516						14,516	
Supplies	418	235	210	41,792	868	567	599	4,780	6,814	48,606	53,352
Team & player fees				29,870						29,870	36,693
Technology	1,117	768	650	22,375	2,830	1,848	1,933	1,222	7,833	30,208	26,638
Travel	14,139	197	4,216	374,548	728	6,811	13,755	412	21,706	396,254	445,717
Value in kind (VIK)	6,046			147,101						147,101	197,366
Volunteer appreciation	6,775		1,000	60,697						60,697	55,015
Total expenses	120,895	61,156	57,807	4,116,057	209,759	197,741	164,552	62,487	634,539	4,750,596	4,656,997
Less cost of goods sold				(46,565)						(46,565)	(55,698)
Total expenses on statement of activities	\$ 120,895	\$ 61,156	\$ 57,807	\$ 4,069,492	\$ 209,759	\$ 197,741	\$ 164,552	\$ 62,487	\$ 634,539	\$ 4,704,031	\$ 4,601,299

See Notes to Consolidating Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Cash Flows
For the Year Ended December 31, 2019
(With Consolidated Comparative Totals for 2018)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2019	Consolidated Totals 2018
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 210,753	\$ 1,425	\$	\$ 212,178	\$ (8,947)
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:					
Depreciation & amortization	107,753			107,753	102,316
Realized & unrealized (gain) loss on investments	(162,660)			(162,660)	34,392
Decrease (increase) in operating assets:					
Accounts receivable, net	(2,369)			(2,369)	(31,835)
Due from related party	81,328	(1,646)	(79,682)		
Inventory	(7,249)			(7,249)	3,093
Prepaid expenses & deposits	(129,058)			(129,058)	142,294
Increase (decrease) in operating liabilities:					
Accounts payable	60,703			60,703	106,111
Due to related party	1,646	(81,328)	79,682		
Accrued liabilities	(9,002)			(9,002)	(40,927)
Deferred revenue	31,459			31,459	(71,786)
Total adjustments	<u>(27,449)</u>	<u>(82,974)</u>		<u>(110,423)</u>	<u>243,658</u>
Net cash provided (used) by operating activities	183,304	(81,549)		101,755	234,711
CASH FLOWS FROM INVESTING ACTIVITIES:					
Certificate of deposit, net	(1,744)			(1,744)	(5,907)
Long-term investments, net	(8,688)			(8,688)	(6,878)
Acquisition of property & equipment	<u>(102,478)</u>			<u>(102,478)</u>	<u>(61,485)</u>
Net cash used by investing activities	<u>(112,910)</u>			<u>(112,910)</u>	<u>(74,270)</u>
NET INCREASE (DECREASE) IN CASH	70,394	(81,549)		(11,155)	160,441
CASH & CASH EQUIVALENTS, beginning of year	<u>1,457,645</u>	<u>223,933</u>		<u>1,681,578</u>	<u>1,521,137</u>
CASH & CASH EQUIVALENTS, end of year	<u>\$ 1,528,039</u>	<u>\$ 142,384</u>	<u>\$</u>	<u>\$ 1,670,423</u>	<u>\$ 1,681,578</u>

See Notes to Consolidating Financial Statements

ULTIMATE PLAYERS ASSOCIATION d/b/a USA ULTIMATE

USA ULTIMATE FOUNDATION

Notes to Consolidating Financial Statements

For the Year Ended December 31, 2019

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 January 1, 2019, the Corporation and Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These two ASUs were adopted together as of January 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented. Accordingly, there is no effect on net assets in connection with implementation of the two ASUs.

On January 1, 2019, the Corporation and Foundation also adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

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.
- 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.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - continued

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.

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.

Revenue from Contracts with Customers

Membership Dues - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership to its members. Membership dues consist of annual, two-year, three-year, five-year and lifetime registrations. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term, or fifteen years for lifetime memberships. Membership dues are nonrefundable.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Fees & Sales - The Corporation receives revenue from fees and sales related to programs, services, and merchandise for the sport. These activities include competitions, athlete programs, national teams, sport development, sanctioning, education, merchandise sales and other similar activities. Revenue is recognized at the time the performance obligations are met which is when services are provided, or goods provided or delivered to the customer.

Sponsorship & licensing - The Corporation recognizes revenue from contracts with both sponsors and suppliers of USA Ultimate. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation will recognize revenue over time. The Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

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, 2019 and 2018, 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. Accounts receivable from contracts with customers were \$67,406 and \$69,775 at the beginning and end of the year, respectively.

Inventory

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

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 Consolidating 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, 2019 and 2018, was \$107,753 and \$102,316, respectively.

Supplemental Cash Flow Disclosures

The Corporation and the Foundation paid no interest or income taxes during the years ended December 31, 2019 and 2018.

Deferred Revenue

Deferred revenue, a liability from contracts with customers, consists primarily of multi-year memberships but also includes amounts related to fees and sponsorships. Deferred revenue was \$744,578 and \$776,037 at the beginning and end of the year, respectively.

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, 2019 and 2018, the Corporation's supporting service expenses amounted to 12.30% and 12.40%, 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.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Organizations' financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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 Organizations have evaluated events and transactions for potential recognition or disclosure through August 21, 2020, 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, 2019 and 2018, 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 or donor restrictions. 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.

Notes to Consolidating Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,670,423	\$ 1,681,578
Certificates of deposit	507,114	505,370
Accounts receivable, net	68,775	66,406
Long-term investments	<u>1,047,318</u>	<u>875,970</u>
Total financial assets	3,293,630	3,129,324
Less amounts not available to be used within one year:		
Board - designated reserves and strategic surplus	1,749,027	1,742,288
Donor restrictions	<u>84,913</u>	<u>77,585</u>
Financial assets not available to be used within one year	<u>1,833,940</u>	<u>1,819,873</u>
Financial assets available within one year	<u>\$ 1,459,690</u>	<u>\$ 1,309,451</u>

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.

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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. 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, 2019 and 2018:

<u>Assets at Fair Value as of December 31, 2019</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 507,114	\$	\$	\$ 507,114
USOE pooled fund		1,047,318		1,047,318
	<u>\$ 507,114</u>	<u>\$ 1,047,318</u>	<u>\$</u>	<u>\$ 1,554,432</u>
<u>Assets at Fair Value as of December 31, 2018</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 505,370	\$	\$	\$ 505,370
USOE pooled fund		875,970		875,970
	<u>\$ 505,370</u>	<u>\$ 875,970</u>	<u>\$</u>	<u>\$ 1,381,340</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 & Paralympic Committee (USOPC) and various national sports organizations recognized by the USOPC.

As of December 31, 2019, the USOE portfolio was invested in the following types of securities:

Alternative investments	37.08%
Domestic equities	31.46
International equities	19.16
Domestic bonds	6.77
International bonds	2.54
Cash and cash equivalents	<u>2.99</u>
	<u>100.00%</u>

Notes to Consolidating 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 Organizations' 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 Organizations.

Investment income (loss) consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 27,531	\$ 20,458
Realized gains	47,522	21,136
Unrealized gains (losses)	<u>115,138</u>	<u>(55,528)</u>
	<u>\$ 190,191</u>	<u>\$ (13,934)</u>

D. BOARD DESIGNATED NET ASSETS

At December 31, 2019 and 2018, the Corporation had designated unrestricted net assets in the amount of \$1,749,027 and \$1,742,288, respectively, for the following purposes:

	<u>2019</u>	<u>2018</u>
Operating reserve	\$ 1,385,710	\$ 1,390,975
Strategic surplus	<u>363,317</u>	<u>351,313</u>
	<u>\$ 1,749,027</u>	<u>\$ 1,742,288</u>

Notes to Consolidating Financial Statements

E. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Play It Forward	\$ 33,976	\$ 31,909
Girls Ultimate	29,587	28,241
Pufahl/Faricker Spirit Awards	11,420	11,445
Bakko Spirit Award	5,985	5,990
Rico's fund	3,945	
	<u>\$ 84,913</u>	<u>\$ 77,585</u>

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2019 and 2018, net assets were released from restrictions as follows:

	<u>2019</u>	<u>2018</u>
Girls Ultimate	\$ 14,100	\$ 14,200
Play It Forward	8,264	15,121
Pufahl/Faricker Spirit Awards	25	25
Bakko Spirit Award	5	5
Ultimate Impact		6,170
National Teams		705
	<u>\$ 22,394</u>	<u>\$ 36,226</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, 2019 and 2018, amounted to \$38,950 and \$32,920, respectively.

Notes to Consolidating Financial Statements

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 base rent increases annually and the lease expires on December 31, 2020.

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

2020	\$ 56,860
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H. SUBSEQUENT EVENT

Subsequent to year end, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the decline in global financial markets, temporary closures of many businesses, suspension or cancelation of sporting events, "shelter in place" and other governmental regulations and job losses. The extent to which the COVID-19 outbreak will affect the operations, collections or financial results of the Organizations is uncertain.

In April 2020, the Corporation received a \$298,467 loan from JP Morgan Chase through the Small Business Administration's Paycheck Protection Program. A portion or all of loan may be forgiven by the Small Business Administration if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. Any portion of the loan that is not forgiven has a minimum maturity of two years and an interest rate of 1%. Loan payments are deferred for ten months.