



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

**Consolidating Financial Statements
For the Year Ended December 31, 2021**

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidating Statement of Financial Position	4
Consolidating Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidating Statement of Cash Flows	7
Notes to Consolidating Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidating financial statements of USA Ultimate and USA Ultimate Foundation (nonprofit organizations)(the Organizations), which comprise the consolidating statement of financial position as of December 31, 2021, and the related consolidating statements of activities and changes in net assets, consolidated functional expenses, and consolidating cash flows for the year then ended, and the related notes to the consolidating financial statements.

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, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Ultimate and USA Ultimate Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, the Organizations are required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt USA Ultimate's and USA Ultimate Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidating financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidating financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidating financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidating financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness USA Ultimate's and USA Ultimate Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidating financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Ultimate's and USA Ultimate Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited USA Ultimate and USA Ultimate Foundation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2021.

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
July 29, 2022

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Financial Position
December 31, 2021
(With Consolidated Comparative Totals for 2020)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2021	Consolidated Totals 2020
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 2,638,425	\$ 186,030	\$	\$ 2,824,455	\$ 1,716,689
Certificates of deposit	506,923			506,923	505,229
Accounts receivable, net	463,491			463,491	195,484
Due from related party		15,683	(15,683)		
Inventory	25,379			25,379	29,197
Prepaid expenses and deposits	46,092			46,092	149,891
Total current assets	3,680,310	201,713	(15,683)	3,866,340	2,596,490
LONG-TERM INVESTMENTS	1,522,397			1,522,397	1,241,579
PROPERTY AND EQUIPMENT:					
IT infrastructure system	579,349			579,349	575,849
Furniture and equipment	44,643			44,643	40,754
Computer equipment	52,469			52,469	56,090
Event equipment	29,456			29,456	27,344
Leasehold improvements					11,959
Other depreciable projects	17,886			17,886	17,886
Software	4,222			4,222	4,682
Subtotal	728,025			728,025	734,564
Less accumulated depreciation	(617,983)			(617,983)	(579,202)
Property and equipment, net	110,042			110,042	155,362
OTHER ASSETS	1,300			1,300	1,300
TOTAL ASSETS	\$ 5,314,049	\$ 201,713	\$ (15,683)	\$ 5,500,079	\$ 3,994,731
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 819,164	\$	\$	\$ 819,164	\$ 447,850
Due to related party	15,683		(15,683)		
Accrued liabilities	105,369			105,369	42,018
Current portion of deferred revenue	708,991			708,991	436,410
Total current liabilities	1,649,207		(15,683)	1,633,524	926,278
LONG-TERM LIABILITIES:					
Deferred revenue - long term	651,590			651,590	404,300
Deferred FICA - long term					13,787
Total liabilities	2,300,797		(15,683)	2,285,114	1,344,365
NET ASSETS:					
Without donor restrictions	1,638,353	57,924		1,696,277	629,624
Without donor restrictions - Board designated	1,374,899			1,374,899	1,919,132
With donor restrictions		143,789		143,789	101,610
Total net assets	3,013,252	201,713		3,214,965	2,650,366
TOTAL LIABILITIES and NET ASSETS	\$ 5,314,049	\$ 201,713	\$ (15,683)	\$ 5,500,079	\$ 3,994,731

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, 2021
(With Consolidated Comparative Totals for 2020)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2021	Consolidated Totals 2020
SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS					
Membership dues	\$ 1,742,937	\$	\$	\$ 1,742,937	\$ 1,776,008
Grant revenue	567,621			567,621	397,528
Investment income	287,836	25		287,861	205,939
Sponsorship and licensing	406,374			406,374	183,480
Other income	39,404			39,404	8,178
Sport development and sanctioning	58,712			58,712	38,626
National teams fees	24,213			24,213	31,307
Contributions		15,014		15,014	19,347
Education	9,546			9,546	10,718
Sales	19,619			19,619	1,376
Cost of goods sold	(15,886)			(15,886)	(1,868)
Competition and athlete programs	816,726			816,726	-
Satisfied program restrictions	13,754	13,754	(13,754)	13,754	7,123
Total support and revenue	3,970,856	28,793	(13,754)	3,985,895	2,677,762
EXPENSES:					
Program services:					
Events and outreach programs					
College events and programs	422,422			422,422	132,117
TCT events and programs	405,643			405,643	135,350
Youth events and programs	273,522			273,522	200,295
Masters events and programs	150,426			150,426	50,314
Beach events and programs	33,097			33,097	51,759
Total events and outreach programs	1,285,110			1,285,110	569,835
Marketing and communications	664,135			664,135	357,431
Member services and community development	595,512			595,512	542,803
National teams	191,714			191,714	138,463
Education	93,655			93,655	81,647
International	47,031			47,031	57,887
Event standards/Spirit of the Game/ rules/disc standards	49,871			49,871	38,245
USA Ultimate grants		13,754	(13,754)		
Total program services	2,927,028	13,754	(13,754)	2,927,028	1,786,311

Supporting services:					
Equity, diversity and inclusion	206,683			206,683	205,371
General and administrative	134,935	1,485		136,420	166,868
Safe Sport/judicial	92,535			92,535	72,410
Board of Directors	74,649			74,649	78,016
Fundraising	16,295	9,866		26,161	45,901
	<u>525,097</u>	<u>11,351</u>		<u>536,448</u>	<u>568,566</u>
	<u>3,452,125</u>	<u>25,105</u>	<u>(13,754)</u>	<u>3,463,476</u>	<u>2,354,877</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	518,731	3,688		522,419	322,885
DONOR RESTRICTED SUPPORT and REVENUE					
Play It Forward	3,677	20,882	(3,677)	20,882	9,363
Girls Ultimate	4,047	17,297	(4,047)	17,297	8,488
Delrico Johnson Fund	5,279	17,755	(5,279)	17,755	5,968
Other awards	751		(751)		
Less satisfied program restrictions	<u>(13,754)</u>	<u>(13,754)</u>	<u>13,754</u>	<u>(13,754)</u>	<u>(7,123)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		<u>42,180</u>		<u>42,180</u>	<u>16,696</u>
CHANGE IN NET ASSETS	518,731	45,868		564,599	339,581
NET ASSETS, beginning of year	<u>2,494,521</u>	<u>155,845</u>		<u>2,650,366</u>	<u>2,310,785</u>
NET ASSETS, end of year	<u>\$ 3,013,252</u>	<u>\$ 201,713</u>	<u>\$</u>	<u>\$ 3,214,965</u>	<u>\$ 2,650,366</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, 2021
(With Consolidated Comparative Totals for 2020)

	Events & Outreach Programs					Marketing & Communications	Member Services & Community Development	National Teams	Education
	College Events & Programs	TCT Events & Programs	Youth Events & Programs	Masters Events & Programs	Beach Events & Programs				
Accounting & legal services	\$ 1,811	\$ 1,430	\$ 1,685	\$ 543	\$ 307	\$ 2,483	\$ 3,179	\$ 1,153	\$ 930
Awards & gifts	7,716	29,803	9,173	7,962					
Bad debt									
Bank fees	4,770	4,756	5,088	3,548	1,187	90	50,738	589	310
Communication expense	815	721	784	410	168	23,121	783	284	229
Community development							132,575		
Conferences & memberships	772	339	394	138	72	543	695	252	203
Depreciation expense	7,252	5,724	6,745	2,172	1,228	9,941	12,730	4,615	3,721
Discretionary	1,708	1,359	1,592	537	293	3,181	2,898	1,051	847
Employee benefits	12,684	10,013	11,799	3,799	2,147	17,388	22,266	8,072	6,509
EDI initiatives			1,812				17,884		
Facility & equipment rental	119,206	105,523	24,365	43,024	29	232	297	7,608	87
Food & drink	14,403	12,921	3,302	2,906	66	2,825	321	6,627	94
Grants							30,000		
Insurance	7,176	5,664	6,675	2,149	1,215	9,837	12,596	4,567	3,682
Marketing						274,130			
Merchandise COGS							15,886		
Occupancy	8,903	7,027	8,281	2,667	1,507	12,204	15,628	5,665	4,569
Office expenses	1,090	804	1,954	214	34	198	1,302	257	74
Officers compensation	12,343	4,937	12,343	4,937	4,937	24,686	14,811	7,406	7,406
Other fees for services	33,190	33,586	11,387	12,177		107,690		1,030	
Other outreach costs									
Other personnel expenses	719	568	669	215	122	986	1,263	458	369
Other program expenses		3,834	15,342					2,227	
Other salaries & wages	112,574	92,187	100,224	31,311	15,549	141,205	199,726	69,605	54,697
Payroll Taxes	8,547	6,747	7,950	2,560	1,447	11,717	15,004	5,439	4,386
Phone & internet	2,166	1,743	2,026	721	380	2,751	3,523	1,277	1,030
Safe sport							22,791		
Supplies	4,924	8,452	4,184	4,325	377	700	897	331	262
Team & player fees								14,311	
Technology	2,463	1,943	2,290	737	416	3,376	4,322	1,567	1,263
Travel	36,306	38,980	8,183	2,299	31	14,851		38,794	
Value in kind (VIK)	8,447	15,237	10,185	15,723			27,533	2,433	
Volunteer appreciation	12,437	11,345	15,090	5,352	1,585		1,750	6,096	2,987
Total expenses	422,422	405,643	273,522	150,426	33,097	664,135	611,398	191,714	93,655
Less cost of goods sold							(15,886)		
Total expenses on statement of activities	\$ 422,422	\$ 405,643	\$ 273,522	\$ 150,426	\$ 33,097	\$ 664,135	\$ 595,512	\$ 191,714	\$ 93,655

	International	Total Program	Equity, Diversity & Inclusion	General & Administrative	Safe Sport/Judicial	Board of Directors	Fundraising	Total Supporting Services	Consolidated Totals 2021	Consolidated Totals 2020
Accounting & legal services	\$ 457	\$ 14,456	\$ 1,844	\$ 2,063	\$ 910	\$ 732	\$ 167	\$ 5,716	\$ 20,172	\$ 32,204
Awards & gifts		54,654							54,654	1,858
Bad debt										9,679
Bank fees	16	71,436	66	49	33	26	1,594	1,768	73,204	40,839
Communication expense	112	27,545	454	342	224	180	1,107	2,307	29,852	22,772
Community development		132,575							132,575	104,513
Conferences & memberships	2,740	6,252	403	303	199	160	57	1,122	7,374	7,740
Depreciation expense	1,828	57,868	7,383	5,555	3,645	2,930	670	20,183	78,051	96,609
Discretionary	416	14,317	1,681	1,265	829	667	156	4,598	18,915	6,463
Employee benefits	3,197	101,219	12,915	9,718	6,376	5,124	1,173	35,306	136,525	147,336
EDI initiatives		19,696	27,364					27,364	47,060	46,355
Facility & equipment rental	43	300,459	171	130	85	68	15	469	300,928	6,188
Food & drink	46	43,559	186	140	92	74	14	506	44,065	20,434
Grants		30,000							30,000	75,000
Insurance	1,809	57,262	7,305	6,307	3,607	2,899	664	20,782	78,044	90,808
Marketing		274,130							274,130	11,517
Merchandise COGS		15,886							15,886	1,868
Occupancy	2,244	71,042	9,064	6,820	4,475	3,595	824	24,778	95,820	75,300
Office expenses	33	7,467	135	101	66	63	16	381	7,848	6,418
Officers compensation	24,686	123,429	24,686	12,343	37,029	37,029	12,342	123,429	246,858	232,000
Other fees for services		199,060				3,000		3,000	202,060	34,750
Other outreach costs										5,045
Other personnel expenses	181	5,739	733	551	361	292	67	2,004	7,743	6,334
Other program expenses		21,403							21,403	1,478
Other salaries & wages	5,813	849,863	98,521	80,371	23,799	11,864	4,853	219,408	1,069,271	965,794
Payroll Taxes	2,154	68,205	8,702	6,548	4,296	3,453	791	23,790	91,995	86,305
Phone & internet	506	16,652	2,043	1,537	1,007	811	186	5,584	22,236	21,350
Safe sport		22,791			4,008			4,008	26,799	25,152
Supplies	129	24,717	520	391	257	206	47	1,421	26,138	6,737
Team & player fees		14,311							14,311	5,964
Technology	621	19,646	2,507	1,886	1,237	995	1,418	8,043	27,689	30,464
Travel		139,444							139,444	66,541
Value in kind (VIK)		79,558							79,558	11,541
Volunteer appreciation		58,273				481		481	58,754	53,389
Total expenses	47,031	2,942,914	206,683	136,420	92,535	74,649	26,161	536,448	3,479,362	2,356,745
Less cost of goods sold		(15,886)							(15,886)	(1,868)
Total expenses on statement of activities	\$ 47,031	\$ 2,927,028	\$ 206,683	\$ 136,420	\$ 92,535	\$ 74,649	\$ 26,161	\$ 536,448	\$ 3,463,476	\$ 2,354,877

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, 2021
(With Consolidated Comparative Totals for 2020)

	<u>USA Ultimate</u>	<u>USA Ultimate Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2021</u>	<u>Consolidated Totals 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 518,731	\$ 45,868	\$	\$ 564,599	\$ 339,581
Adjustments to reconcile the change in net assets to net cash provided by operating activities:					
Depreciation and amortization	78,051			78,051	96,609
Realized and unrealized gain on investments	(263,245)			(263,245)	(183,920)
Decrease (increase) in operating assets:					
Accounts receivable, net	(268,007)			(268,007)	(126,709)
Due from related party	2,173	(15,683)	13,510		
Inventory	3,818			3,818	(216)
Prepaid expenses and deposits	103,799			103,799	24,114
Increase (decrease) in operating liabilities:					
Accounts payable	371,314	0		371,314	(119,775)
Due to related party	15,683	(2,173)	(13,510)		
Accrued liabilities	63,351			63,351	(11,095)
Deferred FICA - noncurrent	(13,787)			(13,787)	13,787
Deferred revenue	519,871			519,871	64,673
Total adjustments	<u>613,021</u>	<u>(17,856)</u>		<u>595,165</u>	<u>(242,532)</u>
Net cash provided by operating activities	1,131,752	28,012		1,159,764	97,049
CASH FLOWS FROM INVESTING ACTIVITIES:					
Certificate of deposit, net	(1,694)			(1,694)	1,885
Long-term investments, net	(17,573)			(17,573)	(10,341)
Acquisition of property and equipment	(32,731)			(32,731)	(42,327)
Net cash used by investing activities	<u>(51,998)</u>			<u>(51,998)</u>	<u>(50,783)</u>
NET INCREASE IN CASH	1,079,754	28,012		1,107,766	46,266
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,558,671</u>	<u>158,018</u>		<u>1,716,689</u>	<u>1,670,423</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,638,425</u>	<u>\$ 186,030</u>	<u>\$</u>	<u>\$ 2,824,455</u>	<u>\$ 1,716,689</u>

See Notes to Consolidating Financial Statements

ULTIMATE PLAYERS ASSOCIATION d/b/a ULTIMATE PLAYERS ASSOCIATION
USA ULTIMATE FOUNDATION
Notes to Consolidating Financial Statements
For the Year Ended December 31, 2021

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 the Corporation to support and grow the sport of Ultimate in the United States.

Basis of Presentation

The financial statements of the Corporation are being presented on a consolidated basis with the Foundation in order to conform to the requirements of FASB ASC Topic 958. This Topic requires consolidation when one nonprofit has a controlling financial interest in another nonprofit entity through sole-corporate membership. Collectively the Corporation and the Foundation are the Organizations.

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 Corporation 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 Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - 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 Organizations 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 Organizations' tax-exempt purposes are subject to taxation as unrelated business income.

The Organizations' 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 Organizations 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 Organizations' checking and money market accounts. The Organizations maintain their cash and cash equivalents at commercial banks. In the event of a bank failure, the Organizations might only be able to recover the amounts insured.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 15 years for lifetime memberships. Membership dues are nonrefundable.

Fees and 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 and Licensing - The Corporation recognizes revenue from contracts with both sponsors and suppliers of the Corporation. 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 Organizations 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, 2021 and 2020 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 \$117,423 and \$93,806 at the beginning and end of the year, respectively.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, DVDs, 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.

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, 2021 and 2020, was \$78,051 and \$96,609, respectively.

Supplemental Cash Flow Disclosures

The Organizations paid no interest or income taxes during the years ended December 31, 2021 and 2020.

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 \$840,710 and \$1,360,581 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, 2021 and 2020, the Corporation's supporting service expenses amounted to 13.22% and 24.40%, respectively, of total support and revenue.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Organizations' financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Donated Services

The Organizations 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 Organizations 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 July 29, 2022, 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.

Notes to Consolidating Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

The following table reflects the Organizations' financial assets as of December 31, 2021 and 2020, 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.

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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,824,455	\$ 1,716,689
Certificates of deposit	506,923	505,229
Accounts receivable, net	463,491	195,484
Long-term investments	<u>1,522,397</u>	<u>1,241,579</u>
Total financial assets	5,317,266	3,658,981
Less amounts not available to be used within one year:		
Board - designated reserves and strategic surplus	1,374,899	1,919,132
Donor restrictions	<u>143,789</u>	<u>101,610</u>
Financial assets not available to be used within one year	<u>1,518,688</u>	<u>2,020,742</u>
Financial assets available within one year	<u>\$ 3,798,578</u>	<u>\$ 1,638,239</u>

C. FAIR VALUE MEASUREMENTS

The Organizations 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

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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. The following tables present assets that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

Assets at Fair Value as of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 506,923	\$	\$	\$ 506,923
USOE pooled fund	<u> </u>	<u>1,522,397</u>	<u> </u>	<u>1,522,397</u>
	<u>\$ 506,923</u>	<u>\$ 1,522,397</u>	<u>\$</u>	<u>\$ 2,029,320</u>

Assets at Fair Value as of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 505,229	\$	\$	\$ 505,229
USOE pooled fund	<u> </u>	<u>1,241,579</u>	<u> </u>	<u>1,241,579</u>
	<u>\$ 505,229</u>	<u>\$ 1,241,579</u>	<u>\$</u>	<u>\$ 1,746,808</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.

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

As of December 31, 2021, the USOE portfolio was invested in the following types of securities:

Alternative investments	35.11%
Domestic equities	24.42
Domestic bonds	22.56
International equities	14.80
Cash and cash equivalents	<u>3.11</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 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 consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 17,626	\$ 22,019
Realized gains	154,366	106,693
Unrealized gains	<u>108,879</u>	<u>77,227</u>
	<u>\$ 280,871</u>	<u>\$ 205,939</u>

Notes to Consolidating Financial Statements

D. BOARD DESIGNATED NET ASSETS

At December 31, 2021 and 2020, the Corporation had designated net assets without donor restrictions in the amount of \$1,374,899 and \$1,919,132, respectively, for the following purposes:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 1,140,732	\$ 1,531,175
Strategic surplus	<u>234,167</u>	<u>387,957</u>
	<u>\$ 1,374,899</u>	<u>\$ 1,919,132</u>

E. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Play It Forward	\$ 58,212	\$ 41,007
Girls Ultimate	47,210	33,960
Rico's fund	22,352	9,877
Pufahl/Faricker Spirit Awards	10,073	10,819
Bakko Spirit Award	<u>5,942</u>	<u>5,947</u>
	<u>\$ 143,789</u>	<u>\$ 101,610</u>

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2021 and 2020, net assets were released from restrictions as follows:

	<u>2021</u>	<u>2020</u>
Rico's fund	\$ 5,279	\$ 36
Girls Ultimate	4,047	4,116
Play It Forward	3,677	2,332
Pufahl/Faricker Spirit Awards	746	601
Bakko Spirit Award	<u>5</u>	<u>38</u>
	<u>\$ 13,754</u>	<u>\$ 7,123</u>

Notes to Consolidating Financial Statements

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, 2021 and 2020 amounted to \$35,765 and \$38,379, 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 and expired on December 31, 2020. The Corporation entered into a new lease for office space in January 2021. This lease requires monthly payments beginning June 2021, at an initial base rent of \$4,968 which increases annually and expires on May 31, 2026.

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

2022	\$	60,769
2023		62,756
2024		64,743
2025		66,730
2026		28,149

Rent expense for these leases was \$60,818 and \$56,860 for the years ended December 31, 2021 and 2020, respectively.

H. PAYCHECK PROTECTION PROGRAM GRANT

In February 2021, the Corporation received a \$275,997 loan from JP Morgan Chase through the Small Business Administration's (SBA) Paycheck Protection Program. A portion or all of loan may be forgiven by the SBA if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. As of year-end the Corporation had satisfied the terms and subsequent to year end the entire amount was forgiven and is included as revenue in the financial statements.

Notes to Consolidating Financial Statements

I. UNCERTAINTIES

The outbreak of COVID-19 (COVID-19 outbreak) has been recognized as a pandemic by the World Health Organization, and 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 continue to affect the operations, collections or financial results of the Organizations is uncertain.

With the rising cost of inflation and potential recession, it is uncertain what effect these factors may have on operations of the Organizations in the coming year.