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ULTIMATE PLAYERS ASSOCIATION

FINANCIAL STATEMENTS

for the years ended

December 31, 2006 and 2005

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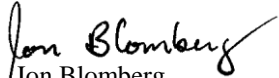
Board of Directors
Ultimate Players Association

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Ultimate Players Association (a Colorado nonprofit organization) as of December 31, 2006 and 2005, and the related statement of financial activity and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ultimate Players Association, as of December 31, 2006 and 2005, and the results of its activities for the years then ended in conformity with generally accepted accounting principles in the United States of America.


Jon Blomberg
Certified Public Accountant

July 20, 2007
Boulder, Colorado

ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

as of December 31

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 495,972 | \$ 544,190 |
| Certificates of deposit | 311,333 | 101,717 |
| Accounts receivable | 11,998 | 20,785 |
| Inventory | 2,500 | 2,498 |
| Security deposit | 2,457 | 2,457 |
| Prepaid expenses | <u>10,946</u> | <u>8,120</u> |
| Total current assets | 835,206 | 679,767 |
| PROPERTY AND EQUIPMENT | | |
| Furniture, fixtures and equipment | 45,283 | 38,260 |
| Less accumulated depreciation | <u>(30,333)</u> | <u>(23,927)</u> |
| Net property and equipment | <u>14,950</u> | <u>14,333</u> |
| TOTAL ASSETS | <u>\$ 850,156</u> | <u>\$ 694,100</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 45,356 | \$ 58,647 |
| Accrued liabilities | 15,084 | 7,308 |
| Deferred revenue | <u>87,942</u> | <u>95,522</u> |
| Total current liabilities | 148,382 | 161,477 |
| NET ASSETS | | |
| Unrestricted net assets | 696,774 | 507,623 |
| Designated by the Board for information systems | <u>-</u> | <u>25,000</u> |
| Total Unrestricted net assets | 696,774 | 532,623 |
| Temporarily restricted net assets | <u>5,000</u> | <u>-</u> |
| Total net assets | <u>701,774</u> | <u>532,623</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 850,156</u> | <u>\$ 694,100</u> |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

STATEMENT OF FINANCIAL ACTIVITY and CHANGES IN NET ASSETS

for the years ended December 31

| | 2006 | | | 2005 |
|-------------------------------------|---------------------|-----------------------------------|------------------|--------------------|
| <u>UNRESTRICTED NET ASSETS:</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| SUPPORT AND REVENUE | | | | |
| Membership dues | \$ 735,602 | | \$ 735,602 | \$ 684,273 |
| Championship series | 174,429 | | 174,429 | 152,898 |
| Corporate sponsorship | 104,482 | | 104,482 | 103,051 |
| Merchandise sales | 34,508 | | 34,508 | 46,440 |
| Cost of sales | (24,486) | | (24,486) | (32,899) |
| Outreach | 42,084 | | 42,084 | 38,777 |
| National Teams | 45,134 | | 45,134 | - |
| Youth Development | 20,610 | | 20,610 | 13,917 |
| Advertising | 9,275 | | 9,275 | 11,425 |
| Donations | 16,068 | 5,000 | 21,068 | 24,311 |
| Miscellaneous | - | | - | 1,671 |
| Sanctioning | 5,168 | | 5,168 | 3,435 |
| Interest and dividends | 22,223 | | 22,223 | 9,209 |
| TOTAL SUPPORT AND REVENUE | 1,185,097 | 5,000 | 1,190,097 | # 1,056,508 |
| EXPENSES | | | | |
| Program services | | | | |
| Championship series | 309,674 | | 309,674 | 268,447 |
| Public relations and communications | 144,383 | | 144,383 | 135,580 |
| National teams | 62,382 | | 62,382 | 46,714 |
| Member services | 119,836 | | 119,836 | 108,084 |
| Youth development | 115,608 | | 115,608 | 107,191 |
| Marketing | 33,855 | | 33,855 | 50,175 |
| Outreach | 79,642 | | 79,642 | 69,898 |
| International | 8,351 | | 8,351 | 10,132 |
| SOTG/ Rules | 22,668 | | 22,668 | 12,583 |
| Total program expenses | 896,399 | | 896,399 | 808,804 |
| Supporting services | | | | |
| Headquarters | 43,125 | | 43,125 | 33,658 |
| Board of directors | 78,738 | | 78,738 | 45,638 |
| Fundraising | 2,684 | | 2,684 | 5,740 |
| Total supporting services | 124,547 | | 124,547 | 85,036 |
| Total Expenses | 1,020,946 | | 1,020,946 | 893,840 |
| CHANGE IN NET ASSETS | 164,151 | 5,000 | 169,151 | 162,668 |
| Net assets, beginning of year | 532,623 | - | 532,623 | 369,955 |
| Net assets, end of year | \$ 696,774 | \$ 5,000 | \$ 701,774 | \$ 532,623 |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION

(A Colorado Nonprofit Corporation)

STATEMENT OF CASH FLOWS

| <i>for the years ended December 31</i> | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 169,151 | \$ 162,668 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | | |
| Depreciation | 6,406 | 10,002 |
| Decreases (increases) in operating assets: | | |
| Accounts receivable | 8,787 | (3,636) |
| Prepaid expenses | (2,826) | 631 |
| Inventory | (2) | 1,107 |
| Security deposit | - | (257) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (13,291) | 25,659 |
| Accrued liabilities | 7,776 | (299) |
| Deferred revenue | (7,580) | 47,732 |
| Net cash flows from operating activities | <u>168,421</u> | <u>243,607</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (7,023) | (4,944) |
| Disposal of property and equipment | - | 763 |
| Decrease (increase) in certificates of deposit | (209,616) | (79,820) |
| Net cash flows from investing activities | <u>(216,639)</u> | <u>(84,001)</u> |
| NET INCREASE (DECREASE) IN CASH | (48,218) | 159,606 |
| Cash at beginning of period | <u>544,190</u> | <u>384,584</u> |
| Cash at December 31 | <u>\$ 495,972</u> | <u>\$ 544,190</u> |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization

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

Basis of Presentation

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

Promises to Give

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

Contributions

The Association has adopted SFAS Number 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS Number 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Association has not received any contributions with donor-imposed restrictions that would result permanently restricted net assets.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Inventory

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

ULTIMATE PLAYERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

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

Credit Risk

Assets that potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents, and investments. The association has certificates of deposit and bank accounts at two financial institutions located in Boulder, Colorado. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006 the Associations had uninsured cash balances of approximately \$590,000.

Land, Buildings and Equipment

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

Donated Services

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

Advertising

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

Comparative Financial Information

The financial information shown for 2005 in the accompanying financial statement is included to provide a basis for comparison with 2006 and presents summarized totals only. Such information should be read in conjunction with Association's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Reclassifications

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

Note 2 - INCOME TAXES

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

**ULTIMATE PLAYERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 - MARKETABLE SECURITIES

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

Note 4 – LEASE AGREEMENT

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

Note 5 – DEFERRED REVENUE

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

| | <u>as of December 31</u> | |
|--------------------------|--------------------------|------------------|
| | <u>2006</u> | <u>2005</u> |
| 2007 membership dues | \$ 41,940 | \$ 53,502 |
| Lifetime membership dues | 41,523 | 38,687 |
| One-time only fees | 750 | 578 |
| Youth outreach | 3,024 | 1,580 |
| Sanction event fees | <u>705</u> | <u>1,175</u> |
| Totals | <u>\$ 87,942</u> | <u>\$ 95,522</u> |

Note 6 – CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2006 consist of three certificates from a commercial bank. The Association intends to hold these certificates until their maturity in 2007.