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

## Consolidating Financial Statements

## For the Year Ended December 31, 2017

WAUGH & GOODWIN, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of USA Ultimate and USA Ultimate Foundation as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited USA Ultimate's December 31, 2016, consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*
Colorado Springs, Colorado
May 18, 2018

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Financial Position
December 31, 2017
(With Consolidated Totals for 2016)

| | USA Ultimate | USA Ultimate Foundation | Eliminating Entries | Consolidated Totals 2017 | Consolidated Totals 2016 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash & cash equivalents | $ 1,414,780 | $ 106,357 | $ | $ 1,521,137 | $ 1,298,363 |
| Certificates of deposit | 499,463 | | | 499,463 | 499,768 |
| Accounts receivable, net | 24,342 | 10,229 | | 34,571 | 49,711 |
| Due from USA Ultimate | | 15,228 | (15,228) | | |
| Inventory | 23,325 | 1,500 | | 24,825 | 25,136 |
| Prepaid expenses & deposits | 187,241 | | | 187,241 | 25,948 |
| Total current assets | 2,149,151 | 133,314 | (15,228) | 2,267,237 | 1,898,926 |
| LONG-TERM INVESTMENTS | 903,484 | | | 903,484 | 778,187 |
| PROPERTY & EQUIPMENT: | | | | | |
| IT infrastructure system | 421,012 | | | 421,012 | 392,512 |
| Furniture & equipment | 39,179 | | | 39,179 | 37,979 |
| Computer equipment | 45,898 | | | 45,898 | 42,150 |
| Event equipment | 16,415 | | | 16,415 | 7,967 |
| Leasehold improvements | 11,959 | | | 11,959 | 11,959 |
| Other depreciable projects | 13,200 | | | 13,200 | 6,600 |
| Software | 3,400 | | | 3,400 | 3,681 |
| Subtotal | 551,063 | | | 551,063 | 502,848 |
| Less accumulated depreciation | (295,313) | | | (295,313) | (206,828) |
| Property & equipment, net | 255,750 | | | 255,750 | 296,020 |
| OTHER ASSETS | 1,300 | | | 1,300 | 1,300 |
| TOTAL ASSETS | $ 3,309,685 | $ 133,314 | $ (15,228) | $ 3,427,771 | $ 2,974,433 |
| LIABILITIES & NET ASSETS | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | 400,811 | | | 400,811 | 293,778 |
| Due to USA Ultimate Foundation | 15,228 | | (15,228) | | |
| Accrued liabilities | 103,042 | | | 103,042 | 128,363 |
| Current portion of deferred revenue | 545,202 | | | 545,202 | 389,538 |
| Total current liabilities | 1,064,283 | | (15,228) | 1,049,055 | 811,679 |
| DEFERRED REVENUE | 271,162 | | | 271,162 | 260,411 |
| Total liabilities | 1,335,445 | | (15,228) | 1,320,217 | 1,072,090 |
| NET ASSETS: | | | | | |
| Unrestricted | 394,637 | 48,462 | | 443,099 | 640,353 |
| Unrestricted - Board designated | 1,579,603 | | | 1,579,603 | 1,197,925 |
| Temporarily restricted | | 84,852 | | 84,852 | 64,065 |
| Total net assets | 1,974,240 | 133,314 | | 2,107,554 | 1,902,343 |
| TOTAL LIABILITIES & NET ASSETS | $ 3,309,685 | $ 133,314 | $ (15,228) | $ 3,427,771 | $ 2,974,433 |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Consolidated Totals for 2016)

| | USA Ultimate | USA Ultimate Foundation | Eliminating Entries | Consolidated Totals 2017 | Consolidated Totals 2016 |
|---|---|---|---|---|---|
| UNRESTRICTED SUPPORT & REVENUE: | | | | | |
| Membership dues | $ 2,424,245 | $ | $ | $ 2,424,245 | $ 2,270,262 |
| Competition & athlete programs | 904,507 | | | 904,507 | 874,439 |
| Sponsorship & licensing | 514,505 | | | 514,505 | 443,517 |
| Investment income | 134,704 | 30 | | 134,734 | 49,112 |
| Sport development & sanctioning | 83,987 | | | 83,987 | 78,625 |
| Sales | 64,678 | | | 64,678 | 67,739 |
| Cost of goods sold | (49,904) | | | (49,904) | (50,971) |
| Contributions | 15,338 | 26,167 | | 41,505 | 55,243 |
| National teams | 36,540 | | | 36,540 | 176,610 |
| Education | 32,837 | | | 32,837 | 41,782 |
| Other income | 10,914 | | | 10,914 | 24,223 |
| Satisfied program restrictions | 11,124 | 11,453 | (11,124) | 11,453 | 3,210 |
| Total support & revenue | 4,183,475 | 37,650 | (11,124) | 4,210,001 | 4,033,791 |
| EXPENSES: | | | | | |
| Program services: | | | | | |
| Marketing & communications | 1,057,436 | | | 1,057,436 | 722,249 |
| Triple Crown Tour, Masters Events & programs | 605,908 | | | 605,908 | 501,092 |
| Youth events & programs | 441,867 | | | 441,867 | 472,498 |
| Community & sport development | 319,752 | | | 319,752 | 246,351 |
| National teams | 319,419 | | | 319,419 | 416,830 |
| College events & programs | 314,496 | | | 314,496 | 268,452 |
| Education programs | 159,625 | | | 159,625 | 202,437 |
| Member services | 135,439 | | | 135,439 | 175,585 |
| Beach events & programs | 134,902 | | | 134,902 | 81,524 |
| International programs | 48,907 | | | 48,907 | 83,459 |
| Event standards/Spirit of the Game/ rules/disc standards | 32,917 | | | 32,917 | 108,182 |
| AE system | 28,899 | | | 28,899 | 31,220 |
| USA Ultimate grants | | 11,124 | (11,124) | | |
| Total program services | 3,599,567 | 11,124 | (11,124) | 3,599,567 | 3,309,879 |

| | | | | | |
|---|---|---|---|---|---|
| Supporting services: | | | | | |
| Operations | 179,598 | 10,061 | | 189,659 | 203,449 |
| Board of directors | 167,532 | | | 167,532 | 96,228 |
| Fundraising | 63,710 | 5,109 | | 68,819 | 62,169 |
| Total supporting services | 410,840 | 15,170 | | 426,010 | 361,846 |
| Total expenses | 4,010,407 | 26,294 | (11,124) | 4,025,577 | 3,671,725 |
| CHANGE IN UNRESTRICTED NET ASSETS | 173,068 | 11,356 | | 184,424 | 362,066 |
| TEMPORARILY RESTRICTED SUPPORT & REVENUE | | | | | |
| Play It Forward | 2,565 | 10,216 | (2,565) | 10,216 | 10,731 |
| Girls Ultimate | 7,165 | 15,019 | (7,165) | 15,019 | 20,222 |
| Bakko Spirit Award | | 6,300 | | 6,300 | |
| National Teams | 1,394 | 705 | (1,394) | 705 | 1,394 |
| Less satisfied program restrictions | (11,124) | (11,453) | 11,124 | (11,453) | (3,210) |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | 20,787 | | 20,787 | 29,137 |
| CHANGE IN NET ASSETS | 173,068 | 32,143 | | 205,211 | 391,203 |
| NET ASSETS, beginning of year | 1,801,172 | 101,171 | | 1,902,343 | 1,511,140 |
| NET ASSETS, end of year | $ 1,974,240 | $ 133,314 | $ | $ 2,107,554 | $ 1,902,343 |

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Cash Flows
For the Year Ended December 31, 2017
(With Consolidated Totals for 2016)

| | USA Ultimate | USA Ultimate Foundation | Eliminating Entries | Consolidated Totals 2017 | Consolidated Totals 2016 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Change in net assets | $ 173,068 | $ 32,143 | $ | $ 205,211 | $ 391,203 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation & amortization | 93,877 | | | 93,877 | 76,851 |
| Realized & unrealized gain on investments | (119,625) | | | (119,625) | (35,419) |
| Decrease (increase) in operating assets: | | | | | |
| Accounts receivable, net | 25,369 | (10,229) | | 15,140 | (3,049) |
| Due from USA Ultimate | | (4,157) | 4,157 | | |
| Inventory | 311 | | | 311 | (4,925) |
| Prepaid expenses & deposits | (161,293) | | | (161,293) | 17,638 |
| Increase (decrease) in operating: liabilities: | | | | | |
| Accounts payable | 107,033 | | | 107,033 | (8,910) |
| Due to USA Ultimate Foundation | 4,157 | | (4,157) | | |
| Accrued liabilities* | (25,321) | | | (25,321) | 2,948 |
| Deferred revenue | 166,415 | | | 166,415 | 32,856 |
| Total adjustments | 90,923 | (14,386) | | 76,537 | 77,990 |
| Net cash provided by operating activities | 263,991 | 17,757 | | 281,748 | 469,193 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Certificate of deposit, net | 305 | | | 305 | (5,719) |
| Long-term investments, net | (5,672) | | | (5,672) | (4,448) |
| Acquisition of property & equipment* | (53,607) | | | (53,607) | (81,172) |
| Net cash used by investing activities | (58,974) | | | (58,974) | (91,339) |
| NET INCREASE IN CASH | 205,017 | 17,757 | | 222,774 | 377,854 |
| CASH & CASH EQUIVALENTS, beginning of year | 1,209,763 | 88,600 | | 1,298,363 | 920,509 |
| CASH & CASH EQUIVALENTS, end of year | $ 1,414,780 | $ 106,357 | $ | $ 1,521,137 | $ 1,298,363 |

* Excludes non-cash investing activities (Note A - Supplemental Cash Flow Disclosures

See Notes to Financial Statements

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

### 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.

### 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.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

### Membership Registrations

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

### Cash and Cash Equivalents

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

### Inventory

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

### Furniture and Equipment

Furniture and equipment is recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. All acquisitions of furniture and equipment in excess of $750 are capitalized.

Depreciation and amortization is recorded using the straight-line method over estimated useful lives of three to seven years. Depreciation and amortization expense for the years ended December 31, 2017 and 2016, was $93,877 and $76,851, respectively.

### Supplemental Cash Flow Disclosures

The Corporation and the Foundation paid no interest or income taxes during the years ended December 31, 2017 and 2016.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Disclosures - continued

During the year ended December 31, 2016, the Corporation capitalized an additional $30,000 of the IT infrastructure system asset. A corresponding liability was also recorded for the unpaid portion of the asset cost.

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, 2017 and 2016, of $1,000 is necessary. Accounts receivable outstanding for more than 60 days are considered delinquent. Delinquent receivables are determined to be uncollectible on a case by case basis and are written off to bad debt expense at such point of determination.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary expenses. For the years ended December 31, 2017 and 2016, the Corporation's supporting service expenses amounted to 9.82% and 8.49%, respectively, of total support and revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Prior Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior Year Comparisons - continued

Certain reclassifications have been made to the summarized comparative amounts to conform with current year presentation.

Donated Services

The Corporation and the Foundation receive a substantial amount of donated services in carrying out their programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958, "Not-For-Profit Entities".

Advertising

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

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 18, 2018, the date that the financial statements were available to be issued.

## B. FAIR VALUE MEASUREMENTS

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

Level 1 Quoted prices in active markets for identical assets or liabilities, accessible to the Corporation and Foundation at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

B. FAIR VALUE MEASUREMENTS - Continued

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, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates of deposit | $ 499,463 | $ | $ | $ 499,463 |
| USOE pooled fund | | 903,484 | | 903,484 |
| | $ 499,463 | $ 903,484 | $ | $ 1,402,947 |

Assets at Fair Value as of December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates of deposit | $ 499,768 | $ | $ | $ 499,768 |
| USOE pooled fund | | 778,187 | | 778,187 |
| | $ 499,768 | $ 778,187 | $ | $ 1,277,955 |

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

As of December 31, 2017, the USOE portfolio was invested in the following types of securities:

| | |
|---|---|
| Alternative investments | 31.25% |
| Domestic equities | 30.07 |
| International equities | 19.75 |
| Domestic bonds | 9.26 |
| Cash and cash equivalents | 6.87 |
| International bonds | 2.80 |
| | 100.00% |

## B. FAIR VALUE MEASUREMENTS - Continued

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

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Corporation's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

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

Investment income consists of the following at December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Interest and dividends | $ 15,109 | $ 13,693 |
| Unrealized gain on securities | 57,235 | 20,666 |
| Realized gain on securities | 62,390 | 14,753 |
| | $ 134,734 | $ 49,112 |

## C. CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2017 consist of certificates at investment firms with the following terms:

| Maturity Date | Interest Rate | Principal |
|---|---|---|
| 08/10/18 | 0.25% | $ 252,938 |
| 05/05/19 | 1.56 | 246,525 |
| | | $ 499,463 |

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

## D. BOARD DESIGNATED NET ASSETS

At December 31, 2017 and 2016, the Corporation had designated unrestricted net assets in the amount of $1,579,603 and $1,197,925, respectively, for the following purposes:

| | 2017 | 2016 |
|---|---|---|
| Operating reserve | $1,277,970 | $1,197,925 |
| Strategic Surplus | 301,633 | |
| | $1,579,603 | $1,197,925 |

## E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Play It Forward | $ 38,605 | $ 30,954 |
| Girls Ultimate | 28,076 | 20,222 |
| Pufahl/Farricker Awards | 11,470 | 11,495 |
| Bakko Spirit Award | 5,996 | |
| National Teams | 705 | 1,394 |
| | $ 84,852 | $ 64,065 |

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2017 and 2016, net assets were released from restrictions as follows:

| | 2017 | 2016 |
|---|---|---|
| Girls Ultimate | $ 7,165 | $ 1,304 |
| Play It Forward | 2,565 | 736 |
| National Teams | 1,393 | 1,145 |
| Bakko Spirit Award | 305 | |
| Pufahl/Farricker Awards | 25 | 25 |
| | $ 11,453 | $ 3,210 |

## 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, 2017 and 2016, amounted to $29,836 and $28,826, respectively.

G. LEASES

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

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

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

| | |
|---|---|
| 2018 | $ 49,412 |
| 2019 | 53,136 |
| 2020 | 56,860 |

H. TECHNOLOGY CONTRACT OBLIGATION

The Corporation entered into an agreement with a software and networking company to build a new online portal in October 2010. Under this agreement, the Corporation is required to pay a monthly license fee of $3,000, beginning in November 2013, and continuing for 48 months. If the Corporation cancelled the agreement at December 31, 2016, the Corporation would be obligated to pay $3,000 per month for the next 10 months. In accordance with ASC 350-40-25-17, as of December 31, 2016, the Corporation recognized the total value of the software license as an asset and accrued the remaining obligation as a liability at December 31, 2016. As of December 31, 2017, the obligation was satisfied and there was no future liability for this agreement.

I. EMPLOYMENT CONTRACT

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