

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

Consolidating Financial Statements

For the Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

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 Ultimate Players Association d/b/a USA Ultimate and USA Ultimate Foundation (nonprofit organizations), which comprise the consolidating statement of financial position as of December 31, 2016, 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.

Auditors' 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.

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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 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, 2016, 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, 2015, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
May 19, 2017

ULTIMATE PLAYERS ASSOCIATION
d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Consolidating Statements of Financial Position
December 31, 2016
(With Consolidated Totals for 2015)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
ASSETS					
CURRENT ASSETS:					
Cash & cash equivalents	\$ 1,209,763	\$ 88,600	\$	\$ 1,298,363	\$ 920,509
Certificates of deposit	499,768			499,768	494,049
Accounts receivable, net	49,711			49,711	46,662
Due from USA Ultimate		11,071	(11,071)		
Inventory	23,636	1,500		25,136	20,211
Prepaid expenses & deposits	25,948			25,948	43,586
Total current assets	1,808,826	101,171	(11,071)	1,898,926	1,525,017
LONG-TERM INVESTMENTS	778,187			778,187	738,320
PROPERTY & EQUIPMENT:					
IT infrastructure system	392,512			392,512	292,887
Furniture & equipment	37,979			37,979	56,591
Computer equipment	42,150			42,150	25,182
Event equipment	7,967			7,967	
Leasehold improvements	11,959			11,959	11,959
Other depreciable projects	6,600			6,600	6,600
Software	3,681			3,681	4,714
	502,848			502,848	397,933
Less accumulated depreciation	(206,828)			(206,828)	(136,234)
Property & equipment - net	296,020			296,020	261,699
OTHER ASSETS	1,300			1,300	1,300
TOTAL ASSETS	\$ 2,884,333	\$ 101,171	\$ (11,071)	\$ 2,974,433	\$ 2,526,336
LIABILITIES & NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	293,778			293,778	302,688
Due to USA Ultimate Foundation	11,071		(11,071)		
Accrued liabilities	128,363			128,363	95,415
Current portion of deferred revenue	389,538			389,538	393,054
Total current liabilities	822,750		(11,071)	811,679	791,157
DEFERRED REVENUE	260,411			260,411	224,039
Total liabilities	1,083,161		(11,071)	1,072,090	1,015,196
NET ASSETS:					
Unrestricted	603,247	37,106		640,353	1,472,911
Unrestricted - Board designated	1,197,925			1,197,925	3,300
Temporarily restricted		64,065		64,065	34,929
Total net assets	1,801,172	101,171		1,902,343	1,511,140
TOTAL LIABILITIES & NET ASSETS	\$ 2,884,333	\$ 101,171	\$ (11,071)	\$ 2,974,433	\$ 2,526,336

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, 2016
(With Consolidated Totals for 2015)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
SUPPORT & REVENUE:					
Membership dues	\$ 2,270,262	\$	\$	\$ 2,270,262	\$ 2,011,386
Competition & athlete programs	874,439			874,439	808,346
Sponsorship & licensing	443,517			443,517	399,975
National teams	176,610			176,610	236,893
Sport development & sanctioning	78,625			78,625	99,393
Sales	67,739			67,739	61,658
Cost of goods sold	(50,971)			(50,971)	(57,334)
Contributions	29,668	25,575		55,243	24,494
Investment income	49,109	3		49,112	602
Coach & observer development program	41,782			41,782	31,844
Other income	24,223			24,223	3,000
Satisfied program restrictions	3,210	3,210	(3,210)	3,210	11,470
Grants					51,000
Loss on sale of equipment					(49)
Total support & revenue	4,008,213	28,788	(3,210)	4,033,791	3,682,678
EXPENSES:					
Program services:					
Triple Crown Tour, Masters Events & programs	501,092			501,092	510,165
Youth events & programs	472,498			472,498	472,482
Communications & publications	425,122			425,122	443,427
National teams	416,830			416,830	391,637
Marketing & sponsorship	297,127			297,127	372,435
College events & programs	268,452			268,452	249,350
Community & sport development	246,351			246,351	173,422
Education programs	202,437			202,437	132,937
Member services	175,585			175,585	201,691
Event standards/Spirit of the Game/ rules/disc standards	108,182			108,182	108,850
International programs	83,459			83,459	63,113
Beach events & programs	81,524			81,524	73,512
AE system	31,220			31,220	47,107
USA Ultimate grants		3,210	(3,210)		
Total program services	3,309,879	3,210	(3,210)	3,309,879	3,240,128

Supporting services:					
Operations	195,392	8,057		203,449	195,055
Board of directors	96,228			96,228	87,196
Fundraising	<u>48,553</u>	<u>13,616</u>		<u>62,169</u>	<u>66,008</u>
Total supporting services	<u>340,173</u>	<u>21,673</u>		<u>361,846</u>	<u>348,259</u>
Total unrestricted expenses	<u>3,650,052</u>	<u>24,883</u>	<u>(3,210)</u>	<u>3,671,725</u>	<u>3,588,387</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>358,161</u>	<u>3,905</u>		<u>362,066</u>	<u>94,291</u>
TEMPORARILY RESTRICTED NET ASSETS					
Play It Forward	736	10,731	(736)	10,731	14,307
Pufahl/Farricker Awards	25		(25)		12,000
Girls Ultimate	1,304	20,222	(1,304)	20,222	1,304
National Teams	1,145	1,394	(1,145)	1,394	1,145
Less satisfied program restrictions	<u>(3,210)</u>	<u>(3,210)</u>	<u>3,210</u>	<u>(3,210)</u>	<u>(5,735)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		<u>29,137</u>		<u>29,137</u>	<u>23,021</u>
CHANGE IN NET ASSETS	358,161	33,042		391,203	117,312
NET ASSETS, beginning of year	<u>1,443,011</u>	<u>68,129</u>		<u>1,511,140</u>	<u>1,393,828</u>
NET ASSETS, end of year	<u>\$ 1,801,172</u>	<u>\$ 101,171</u>	<u>\$</u>	<u>\$ 1,902,343</u>	<u>\$ 1,511,140</u>

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, 2016
(With Consolidated Totals for 2015)

	USA Ultimate	USA Ultimate Foundation	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 358,161	\$ 33,042	\$	\$ 391,203	\$ 117,312
Adjustments to reconcile the change in net assets to net cash provided by operating activities:					
Depreciation & amortization	76,851			76,851	55,251
Realized & unrealized (gain) loss on investments	(35,419)			(35,419)	10,031
Decrease (increase) in assets:					
Accounts receivable, net	(3,049)			(3,049)	37,487
Due from USA Ultimate		(11,071)	11,071		
Due from USA Ultimate Foundation	9,988		(9,988)		(1,891)
Inventory	(4,925)			(4,925)	5,789
Prepaid expenses & deposits	17,638			17,638	(7,750)
Increase (decrease) in liabilities:					
Accounts payable	(8,910)			(8,910)	44,014
Due to USA Ultimate		(9,988)	9,988		1,891
Due to USA Ultimate Foundation	11,071		(11,071)		
Accrued liabilities*	2,948			2,948	35,073
Deferred revenue	32,856			32,856	81,771
Total adjustments	99,049	(21,059)		77,990	261,666
Net cash provided by operating activities	457,210	11,983		469,193	378,978
CASH FLOWS FROM INVESTING ACTIVITIES:					
Certificate of deposit, net	(5,719)			(5,719)	(248,190)
Long-term investments, net	(4,448)			(4,448)	(4,248)
Acquisition of property & equipment*	(81,172)			(81,172)	(94,549)
Disposal of property & equipment					639
Net cash used by investing activities	(91,339)			(91,339)	(346,348)
NET INCREASE IN CASH	365,871	11,983		377,854	32,630
CASH & CASH EQUIVALENTS, beginning of year	843,892	76,617		920,509	887,879
CASH & CASH EQUIVALENTS, end of year	\$ 1,209,763	\$ 88,600	\$	\$ 1,298,363	\$ 920,509

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

See Notes to Financial Statements

ULTIMATE PLAYERS ASSOCIATION d/b/a USA ULTIMATE
USA ULTIMATE FOUNDATION
Notes to Consolidating Financial Statements
For the Year Ended December 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Notes to 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, 2016 and 2015, was \$76,851 and \$55,251, respectively.

Supplemental Cash Flow Disclosures

The Corporation and the Foundation paid no interest or income taxes during the years ended December 31, 2016 and 2015.

Notes to Financial Statements

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, 2016 and 2015, 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, 2016 and 2015, the Corporation's supporting service expenses amounted to 8.49% and 8.97%, 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, 2015, from which the summarized information was derived.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Services

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

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 19, 2017, 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.
- 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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 499,768	\$	\$	\$ 499,768
USOE pooled fund		778,187		778,187
	<u>\$ 499,768</u>	<u>\$ 778,187</u>	<u>\$</u>	<u>\$ 1,277,955</u>

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 494,049	\$	\$	\$ 494,049
USOE pooled fund		738,320		738,320
	<u>\$ 494,049</u>	<u>\$ 738,320</u>	<u>\$</u>	<u>\$ 1,232,369</u>

The Corporation has placed 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, 2016, the USOE portfolio was invested in the following types of securities:

Alternative investments	37.19%
Domestic equities	29.15
International equities	18.69
Domestic bonds	6.41
Cash and cash equivalents	5.57
International bonds	<u>2.99</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 Corporation's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 13,693	\$ 10,633
Unrealized gain (loss) on securities	20,666	(38,678)
Realized gain on securities	<u>14,753</u>	<u>28,647</u>
	<u>\$ 49,112</u>	<u>\$ 602</u>

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2016 consist of certificates at investment firms with the following terms:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>
02/09/17	1.15%	\$ 248,951
08/10/17	1.15	<u>250,817</u>
		<u>\$ 499,768</u>

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

Notes to Financial Statements

D. BOARD DESIGNATED NET ASSETS

At December 31, 2016, the Corporation had designated unrestricted net assets in the amount of \$1,197,925 as an operating reserve.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Play it Forward	\$ 30,954	\$ 20,960
Pufahl/Farricker Awards	11,495	11,520
Girls Ultimate	20,222	1,304
National teams	<u>1,394</u>	<u>1,145</u>
	<u>\$ 64,065</u>	<u>\$ 34,929</u>

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2016 and 2015, net assets were released from restrictions as follows:

	<u>2016</u>	<u>2015</u>
Girls Ultimate	\$ 1,304	\$
National teams	1,145	3,976
Play it Forward	736	1,279
Pufahl/Farricker Awards	<u>25</u>	<u>480</u>
	<u>\$ 3,210</u>	<u>\$ 5,735</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, 2016 and 2015, amounted to \$28,826 and \$25,587, 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.

Notes to Financial Statements

G. LEASES - Continued

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:

2017	\$ 45,688
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 has recognized the total value of the software license as an asset and accrued the remaining obligation as a liability.

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.