

**UNITED STATES TABLE TENNIS
ASSOCIATION, INC.**

Financial Statements

For the Year Ended December 31, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Table Tennis Association, Inc.

We have audited the accompanying statement of financial position of United States Table Tennis Association, Inc. as of December 31, 2005 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's December 31, 2004 financial statements and, in our report dated August 25, 2005, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Table Tennis Association, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2005 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP
April 21, 2006

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Statement of Financial Position

December 31, 2005

(With Comparative Amounts for 2004)

	<u>ASSETS</u>	
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 373,384	\$ 341,347
Certificate of deposit	50,999	
Accounts receivable	73,507	88,841
Short-term investments	3,666	1,606
Prepaid expenses	1,576	8,930
Inventory	4,876	6,022
	<hr/>	<hr/>
Total current assets	508,008	446,746
PROPERTY AND EQUIPMENT:		
Office furniture and equipment	36,816	36,506
Undivided interest in building and land (Note G)	119,576	119,576
Less accumulated depreciation	<u>(41,196)</u>	<u>(37,014)</u>
Property and equipment - net	<hr/>	<hr/>
	115,196	119,068
TOTAL ASSETS	<hr/>	<hr/>
	\$ 623,204	\$ 565,814

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 89,628	\$ 57,499
Accrued liabilities	9,194	9,178
Deferred revenue (Note D)	<u>127,352</u>	<u>114,712</u>
Total liabilities	226,174	181,389
NET ASSETS:		
Unrestricted	384,981	376,625
Temporarily restricted (Note E)	<u>12,049</u>	<u>7,800</u>
Total net assets	<hr/>	<hr/>
	397,030	384,425
TOTAL LIABILITIES AND NET ASSETS	<hr/>	<hr/>
	\$ 623,204	\$ 565,814

See Notes to Financial Statements

UNITED STATES TABLE TENNIS ASSOCIATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2005
(With Comparative Totals for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
REVENUE:				
Tournaments, camps & programs	\$ 392,679	\$	\$ 392,679	\$ 381,308
Membership registrations	326,368		326,368	310,279
Grants from USOC	235,283		235,283	241,391
Advertising	97,227		97,227	79,556
USOC joint marketing agreement	72,000		72,000	60,000
Equipment approval, sanctions & fees	59,993		59,993	51,944
Grants from USTTA Foundation	46,000		46,000	46,000
Corporate sponsorships	20,000		20,000	20,000
Contributions	5,323	6,449	11,772	9,795
Interest & miscellaneous	5,860		5,860	4,631
Value-in-kind grants from USOC	5,745		5,745	40,979
Sale of publications & promotional merchandise	1,717		1,717	1,416
Less cost of promotional items	(2,349)		(2,349)	(2,686)
Loss on disposal of assets	(191)		(191)	(150)
Satisfied program restrictions	<u>2,200</u>	<u>(2,200)</u>		
Total revenue	1,267,855	4,249	1,272,104	1,244,463
EXPENSES:				
Program services:				
Tournaments	383,937		383,937	372,007
Membership services	321,853		321,853	310,928
Athlete development	214,039		214,039	180,298
Coaching program	34,367		34,367	38,884
Committees	<u>6,788</u>		<u>6,788</u>	<u>3,316</u>
Total program services	960,984		960,984	905,433
Supporting services:				
General & administrative	298,515		298,515	246,837
Fundraising & sponsorship development				<u>2,611</u>
Total supporting services	<u>298,515</u>		<u>298,515</u>	<u>249,448</u>
Total expenses	<u>1,259,499</u>		<u>1,259,499</u>	<u>1,154,881</u>
CHANGE IN NET ASSETS	8,356	4,249	12,605	89,582
NET ASSETS, beginning of year	<u>376,625</u>	<u>7,800</u>	<u>384,425</u>	<u>294,843</u>
NET ASSETS, end of year	<u>\$ 384,981</u>	<u>\$ 12,049</u>	<u>\$ 397,030</u>	<u>\$ 384,425</u>

See Notes to Financial Statements

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2005

(With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,605	\$ 89,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of assets	191	150
Depreciation	5,244	5,351
Changes in assets and liabilities:		
Decrease in accounts receivable	15,334	(74,696)
Decrease in contribution receivable		1,013
Decrease in prepaid expenses	7,354	(7,442)
Decrease in inventory	1,146	(1,220)
Increase in accounts payable	32,129	(54,195)
Increase in accrued liabilities	16	5,329
Increase in deferred revenue	12,640	46,998
Total adjustments	<u>74,054</u>	<u>(78,712)</u>
Net cash provided by operating activities	86,659	10,870
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificate of deposit	(50,999)	
Increase in short-term investments	(2,060)	(1,106)
Acquisition of equipment	(1,563)	
Net cash used by investing activities	<u>(54,622)</u>	<u>(1,106)</u>
NET INCREASE IN CASH	32,037	9,764
CASH AND CASH EQUIVALENTS, beginning of year	<u>341,347</u>	<u>331,583</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 373,384</u>	<u>\$ 341,347</u>

See Notes to Financial Statements

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States Table Tennis Association, Inc. is the national governing body for the sport of table tennis, making it responsible for the conduct and administration of amateur table tennis in the United States.

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Association is not a private foundation.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
T-shirts	\$ 1,723	\$ 2,228
Pins and emblems/literature	<u>3,153</u>	<u>3,794</u>
Total	<u>\$ 4,876</u>	<u>\$ 6,022</u>

Accounts Receivable

No allowance for doubtful accounts is considered necessary.

Use of Estimates in Preparation of Financial Statements

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Membership Registrations

Membership registrations are received based on the member's anniversary date, for annual and three year memberships. Annual memberships are recognized as revenue upon receipt. In the case of three-year memberships, membership revenue is recognized over a three year period.

Depreciation

Depreciation is recorded for office furniture and equipment using the straight-line method over an estimated useful life of 10 years. Computer equipment is depreciated using the straight-line method over an estimated useful life of 5 years.

Depreciation expense for the years ending December 31, 2005 and 2004 was \$5,244 and \$5,351, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts.

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 organization's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

Notes to Financial Statements

B. SHORT-TERM INVESTMENTS

At December 31, 2005 and 2004, short-term investments are recorded at quoted market values and consist of the following:

	<u>2005</u>	<u>2004</u>
Microsoft Corp - 76 shares	\$ 1,987	\$ 989
Fedex Corp - 10 shares	1,034	
Money market funds	<u>645</u>	<u>617</u>
Total	<u>\$ 3,666</u>	<u>\$ 1,606</u>

A brokerage account is maintained by the Association in order to receive stock donations. During the year ended December 31, 2005, 39 shares of Microsoft Corp and 10 shares of Fedex Corp stock were donated to the Association.

C. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2005 and 2004, the United States Olympic Committee (USOC) provided grants to the Association as follows:

	<u>2005</u>	<u>2004</u>
Base funding	\$ 235,000	\$ 240,718
Paralympics grant	283	673
Value in-kind	<u>5,745</u>	<u>40,979</u>
	<u>\$ 241,028</u>	<u>\$ 282,370</u>

In addition, the Association entered into a joint marketing agreement with the USOC in 2004. The term of the agreement is January 1, 2005 through December 31, 2008. The Association received \$72,000 and \$60,000 during the years ended December 31, 2005 and 2004, respectively.

The United States Table Tennis Association Foundation, Inc. (USTTAF) provided the Association with grants of \$46,000 for each of the years ended December 31, 2005 and 2004.

The Association is economically dependent upon grants from the USOC and the USTTAF in order to maintain its programs at current levels.

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Membership dues	\$ 96,753	\$ 96,560
USOC base funding	15,000	6,782
USOC Paralympic funding	9,718	
Equipment fees	3,206	
Tournament sanction fee	2,675	5,625
Value in-kind		5,745
	<u>\$ 127,352</u>	<u>\$ 114,712</u>

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Junior/developing player National Event	\$ 7,600	\$ 7,800
Floormat fund	3,954	
Disabled athlete committee	495	
	<u>\$ 12,049</u>	<u>\$ 7,800</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2005 and 2004, net assets were released from restrictions for satisfying the following purposes:

	<u>2005</u>	<u>2004</u>
Junior/developing player National Event	\$ 2,200	\$ 2,200
Paralympic Team		580
	<u>\$ 2,200</u>	<u>\$ 2,780</u>

F. TAX SHELTERED ANNUITY (TSA) PROGRAM

During 2003, the Association started a tax sheltered annuity program for employees with one year or more of service. The Association contributes 50% of the employee's monthly TSA contribution. As of December 31, 2005 and 2004, no employees participated in the program. As a result, this program was cancelled during 2005 and a SIMPLE plan has been implemented in 2006.

Notes to Financial Statements

G. BUILDING ACQUISITION

In April 2002, the Association purchased an undivided interest in a building as tenants in common with the National Archery Association of the United States, United States Fencing Association, United States Team Handball Federation, and United States Field Hockey Association, Inc. The Association received a 17% ownership interest in the land, building and related improvements. The purchase of the building was made possible by a grant in the amount of \$25,500 from the El Pomar Foundation and a grant of \$91,800 from the United States Olympic Committee. A condition of the El Pomar grant is that if the Association relocates outside of El Paso County within the next 15 years, it will forfeit to the remaining tenants in common that portion of its interest paid for with El Pomar grant monies.

The Association, in conjunction with the other tenants in common, has opened a checking account in which they are contributing funds for utilities, repairs and maintenance to the building. The Association's share of the building is being depreciated over a 40-year life, using the straight-line method of depreciation.

H. LEGAL & ARBITRATION

During 2004, the Association filed a claim against Killerspin, LLC regarding a contract dispute. During 2005, an arbitrator awarded the Association \$61,234, but denied \$18,892 of the Association's claim. The \$61,234 is included in accounts receivable at December 31, 2004. Total legal fees incurred during 2004 were \$5,996. Total legal fees and other associated expenses incurred during 2005 amounted to \$90,814. The Association received partial reimbursement of these legal fees from its insurance carrier in the amount of \$34,000 during 2005.

UNITED STATES TABLE TENNIS ASSOCIATION, INC.
 Schedule of Program Services
 For the Year Ended December 31, 2005

	Tournaments	Membership Services	Athlete Development	Coaching Program	Committees	Totals
	\$	\$	\$	\$	\$	\$
Administrative expenses						86
Bad debt expense		275				275
Board of Directors	1,929					1,929
Camps & competitions			161,850			161,850
Club programs		201				201
Club membership discounts		14,991		20,700		14,991
Coaching fees					3,674	3,674
Committees			798			798
Commissions		11,443				11,443
Contract labor		35,100				35,100
Development programs	10,964					10,964
Entry forms & processing			9,974			9,974
Equipment	6,186					6,186
Facility	2,415					2,415
Financial incentives	16,120					16,120
Hall of Fame	1,114		17,187			17,187
Health insurance		11,649				11,649
Insurance		28,668	1,500			30,168
Janitorial	7,620					7,620
Medical check-up			480			480
Promotional merchandise	669					669
Merchant fees		12,109				12,109
Newsstand		2,104				2,104
Postage & shipping		29,099				29,099
Printing, copying, & photography		59,068				59,068
Prize money	140,620					140,620
Programs	4,256					4,256
Ratings		44,745				44,745
Salaries & payroll taxes		56,709		5,395		62,104
Security services	6,947					6,947
Seminars				5,787		5,787
Sponsors room	3,851					3,851
Stipends			22,250			22,250
Supplies	14,442	1,784				16,226
Tables, pipe & drape	4,804			2,485		7,289
Telephone	39	3,501				3,540
Television	49,472					49,472
Tournament contractor	18,940					18,940
Transportation	9,271					9,271
Travel	68,312					68,312
Trophies	7,067		2,822			9,889
T-shirts	8,530					8,530
U.S. Paralympics	283					283
USOC representation					3,114	3,114
Writer payments		2,705				2,705
Website magazine		4,500				4,500
Website		380				380
	<u>\$ 383,937</u>	<u>\$ 321,853</u>	<u>\$ 214,039</u>	<u>\$ 34,367</u>	<u>\$ 6,788</u>	<u>\$ 960,984</u>

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Schedule of Supporting Services

For the Year Ended December 31, 2005

	General & Administrative		
	National Office	Board of Directors	Total
Accounting & bookkeeping	\$ 3,150	\$	\$ 3,150
Audit & tax preparation	4,655		4,655
Auto expense	30		30
Bank charges	60		60
Building maintenance	4,731		4,731
Business fees	79		79
Computer costs	1,501		1,501
Contract labor	203		203
Depreciation	5,244		5,244
Dues & fees	100		100
Food & lodging	378	5,177	5,555
Health insurance	15,432		15,432
Insurance	5,469	3,077	8,546
Legal & arbitration	24	56,814	56,838
Payroll service	1,481		1,481
Postage & shipping	722	18	740
Printing & copying	457	49	506
Rentals	1,468		1,468
Representation		4,748	4,748
Salaries & wages	163,282		163,282
Supplies	7,673	693	8,366
Telephone	1,771	1,716	3,487
Travel	447	7,866	8,313
	<u>\$ 218,357</u>	<u>\$ 80,158</u>	<u>\$ 298,515</u>