

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

Financial Statements

For the Year Ended December 31, 2006

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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, 2006 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, 2005 financial statements and, in our report dated April 21, 2006, 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, 2006, 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, 2006 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
March 21, 2007

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Statement of Financial Position

December 31, 2006

(With Comparative Amounts for 2005)

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 459,004	\$ 373,384
Short-term investments (Note B)	109,724	54,665
Accounts receivable	23,363	73,507
Prepaid expenses	5,066	1,576
Inventory	<u> </u>	<u>4,876</u>
Total current assets	597,157	508,008
FURNITURE AND EQUIPMENT:		
Office furniture and equipment	40,500	36,816
Undivided interest in building and land (Note G)	119,576	119,576
Less accumulated depreciation	<u>(47,184)</u>	<u>(41,196)</u>
Furniture and equipment - net	<u>112,892</u>	<u>115,196</u>
TOTAL ASSETS	<u>\$ 710,049</u>	<u>\$ 623,204</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 88,840	\$ 89,628
Accrued liabilities	9,785	9,194
Deferred revenue (Note D)	<u>124,656</u>	<u>127,352</u>
Total liabilities	223,281	226,174
NET ASSETS:		
Unrestricted	476,497	384,981
Temporarily restricted	<u>10,271</u>	<u>12,049</u>
Total net assets	<u>486,768</u>	<u>397,030</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 710,049</u>	<u>\$ 623,204</u>

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, 2006
(With Comparative Totals for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
REVENUE:				
Membership registrations	\$ 353,724	\$	\$ 353,724	\$ 326,368
Tournaments, camps & programs	306,733		306,733	392,679
Grants from the USOC (Note C)	178,207		178,207	241,028
Advertising	100,607		100,607	97,227
USOC joint marketing agreement (Note C)	72,000		72,000	72,000
Equipment approval, sanctions & fees	53,688		53,688	59,993
Grants from USTTA Foundation	47,250		47,250	46,000
Corporate sponsorships	15,000		15,000	20,000
Investment income (Note B)	8,972		8,972	4,295
Contributions	5,956	2,105	8,061	11,772
Sale of publications & promotional merchandise	798		798	1,717
Less cost of promotional items				(2,349)
Other income				1,374
Satisfied program restrictions	<u>3,883</u>	<u>(3,883)</u>		
Total revenue	1,146,818	(1,778)	1,145,040	1,272,104
EXPENSES:				
Program services:				
Membership services	377,860		377,860	321,853
Tournaments	258,941		258,941	383,937
Athlete development	149,482		149,482	214,039
Coaching program	50,088		50,088	34,367
Committees	<u>14,588</u>		<u>14,588</u>	<u>6,788</u>
Total program services	850,959		850,959	960,984
Supporting services:				
General & administrative	<u>204,343</u>		<u>204,343</u>	<u>298,515</u>
Total supporting services	<u>204,343</u>		<u>204,343</u>	<u>298,515</u>
Total expenses	<u>1,055,302</u>		<u>1,055,302</u>	<u>1,259,499</u>
CHANGE IN NET ASSETS	91,516	(1,778)	89,738	12,605
NET ASSETS, beginning of year	<u>384,981</u>	<u>12,049</u>	<u>397,030</u>	<u>384,425</u>
NET ASSETS, end of year	<u>\$ 476,497</u>	<u>\$ 10,271</u>	<u>\$ 486,768</u>	<u>\$ 397,030</u>

See Notes to Financial Statements

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 89,738	\$ 12,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of assets		191
Depreciation	5,988	5,244
Unrealized gains and losses on investments	(332)	28
Changes in assets and liabilities:		
Decrease in accounts receivable	50,144	15,334
Increase in prepaid expenses	(3,490)	7,354
Decrease in inventory	4,875	1,146
Decrease in accounts payable	(788)	32,129
Increase in accrued liabilities	591	16
Decrease in deferred revenue	(2,696)	12,640
Total adjustments	<u>54,292</u>	<u>74,082</u>
Net cash provided by operating activities	144,030	86,687
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term investments	(54,727)	(53,087)
Acquisition of equipment	(3,683)	(1,563)
Net cash used by investing activities	<u>(58,410)</u>	<u>(54,650)</u>
NET INCREASE IN CASH	85,620	32,037
CASH AND CASH EQUIVALENTS, beginning of year	<u>373,384</u>	<u>341,347</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 459,004</u>	<u>\$ 373,384</u>

See Notes to Financial Statements

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2006

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

Subsequent to December 31, 2005, the Association no longer carries inventory. Items previously recorded as inventory consisted of promotional items and tournament apparel used for specific events. These items retain little or no value after a tournament has expired, therefore, the Association expensed all merchandise purchased to the benefiting program or event.

Accounts Receivable

Accounts receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with individuals and entities having outstanding balances, it has concluded that any losses on balances outstanding at year-end will not be material. Therefore, 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 estimated useful lives of 5 to 10 years. The undivided interest in the office building is being depreciated using the straight-line method over an estimated useful life of 40 years.

Depreciation expense for the years ending December 31, 2006 and 2005 was \$5,988 and \$5,244, 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 Association's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Notes to Financial Statements

B. SHORT-TERM INVESTMENTS

At December 31, 2006 and 2005, short-term investments are recorded at quoted market values and consist of the following:

	<u>2006</u>	<u>2005</u>
Certificate of deposit, 5.25% interest, maturing 6/21/07	\$ 104,668	\$ 50,999
Microsoft Corp, 110 shares	3,285	1,987
Fedex Corp, 10 shares	1,086	1,034
Money market funds	<u>685</u>	<u>645</u>
Total	<u>\$ 109,724</u>	<u>\$ 54,665</u>

All short-term investments are considered available for sale.

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 8,640	\$ 4,323
Unrealized gains (losses)	<u>332</u>	<u>(28)</u>
	<u>\$ 8,972</u>	<u>\$ 4,295</u>

C. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2006 and 2005, the United States Olympic Committee (USOC) provided grants to the Association as follows:

	<u>2006</u>	<u>2005</u>
NGB funding	\$ 164,184	\$ 235,000
Paralympic grant	2,088	283
Value in-kind	8,361	5,745
International grant	<u>3,574</u>	<u> </u>
	<u>\$ 178,207</u>	<u>\$ 241,028</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 during each of the years ended December 31, 2006 and 2005.

The United States Table Tennis Association Foundation, Inc. (USTTAF) provided the Association with grants of \$47,250 and \$46,000 for the years ended December 31, 2006 and 2005, respectively.

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS - Continued

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

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Membership dues	\$ 96,953	\$ 96,753
USOC Paralympic funding	12,213	9,718
USOC base funding	10,416	15,000
Tournament sanction fee	4,850	2,675
Team league	224	
Equipment fees		<u>3,206</u>
	<u>\$ 124,656</u>	<u>\$ 127,352</u>

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Junior/developing player National Event	\$ 7,400	\$ 7,600
Floormat fund	2,376	3,954
Disabled athlete committee	<u>495</u>	<u>495</u>
	<u>\$ 10,271</u>	<u>\$ 12,049</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2006 and 2005, net assets were released from restrictions for satisfying the following purposes:

	<u>2006</u>	<u>2005</u>
Junior/developing player National Event	\$ 200	\$ 2,200
Floormat fund	<u>3,683</u>	<u> </u>
	<u>\$ 3,883</u>	<u>\$ 2,200</u>

F. SIMPLE IRA

During 2006, the Association adopted a Simple IRA plan for its employees in which the Association matches employee contributions up to 2% of salaries. Employer contributions amounted to \$3,375 for the year ended December 31, 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.

UNITED STATES TABLE TENNIS ASSOCIATION, INC.
 Schedule of Program Services
 For the Year Ended December 31, 2006

	Membership Services	Tournaments	Athlete Development	Coaching Program	Committees	Totals
	\$ (51)	\$	\$	\$	\$	\$ (51)
Bad debt expense						672
Board of Directors		672				672
Camps & competitions		7,356	127,885			135,241
Club membership discounts	17,101					17,101
Coaching fees				17,200		17,200
Committees					11,274	11,274
Commissions	11,520					11,520
Contract labor	35,520		20,097			45,277
Development programs						20,097
Entry forms & processing						5,580
Equipment						6,821
Election fees	10,422					10,422
Facility		36,016				36,016
Hall of Fame		410				410
Health insurance	12,036					12,036
HSA contributions	2,137					2,137
Insurance	27,331		1,500			28,831
Janitorial						5,225
Promotional merchandise						7,061
Merchant fees	13,214					13,214
Newsstand	3,796					3,796
Paralympic championships						2,088
Postage & shipping	28,926					28,926
Printing, copying, & photography	59,024					59,024
Prize money		51,800				51,800
Programs		3,750				3,750
Ratings	42,509					42,509
Salaries & payroll taxes	90,840			5,390		96,230
Security services						3,463
Seminars				5,650		5,650
Simple IRA	1,461					1,461
Sponsors room		2,461				2,461
Sponsors/exhibitors expense		927				927
Supplies	5,818	13,310		527		19,655
Tables, pipe & drape		5,984				5,984
Telephone	2,700					2,700
Tournament contractor		21,393				21,393
Training centers				21,321		21,321
Transportation		10,857				10,857
Travel	2,601	51,808				54,409
Trophies		6,384				6,384
T-shirts		5,818				5,818
USOC representation					3,314	3,314
Writer payments	3,010					3,010
Website magazine	6,000					6,000
Website	1,945					1,945
	<u>\$ 377,860</u>	<u>\$ 258,941</u>	<u>\$ 149,482</u>	<u>\$ 50,088</u>	<u>\$ 14,588</u>	<u>\$ 850,959</u>

UNITED STATES TABLE TENNIS ASSOCIATION, INC.

Schedule of Supporting Services

For the Year Ended December 31, 2006

	General & Administrative			Total
	National Office	Board of Directors		
Accounting & bookkeeping	\$ 2,135	\$		\$ 2,135
Audit & tax preparation	4,505			4,505
Bank charges	3			3
Building maintenance	4,291			4,291
Business fees	1,079			1,079
Computer costs	1,146			1,146
Depreciation	5,988			5,988
Dues & fees	100			100
Equipment rental	589			589
Food & lodging	356	5,025		5,381
Gifts	90	89		179
Health insurance	6,586			6,586
HSA contributions	1,158			1,158
Insurance	5,234	3,513		8,747
Legal	25			25
Payroll service	1,185			1,185
Postage & shipping	910	17		927
Printing & copying	45			45
Rentals	1,261			1,261
Repairs & maintenance	375			375
Representation		3,533		3,533
Salaries & payroll	139,839			139,839
Simple IRA	1,914			1,914
Supplies	2,614	253		2,867
Telephone	1,281	1,571		2,852
Travel	286	7,347		7,633
	<u>\$ 182,995</u>	<u>\$ 21,348</u>		<u>\$ 204,343</u>