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ACCOUNTANT'S COMPILATION REPORT

To the Shareholders  
Ultimate Sports, Inc.

I have compiled the accompanying balance sheet of Ultimate Sports, Inc. as of December 31, 2013 and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

I am not independent with respect to Ultimate Sports, Inc.



Certified Public Accountant

May 17, 2014

ULTIMATE SPORTS, INC.

BALANCE SHEET  
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:

Cash	\$	17,421	
Accounts receivable		5,350	
Inventory		<u>313,764</u>	
Total current assets	\$		336,535

FIXED ASSETS:

Equipment and vehicles	238,410	
Less accumulated depreciation	<u>(232,787)</u>	
Cost less depreciation		5,623

OTHER ASSETS:

Loans to shareholders		<u>82,772</u>
TOTAL ASSETS	\$	<u><u>424,930</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued expense	\$	96,154	
Notes payable		158,623	
Loans from shareholders		<u>61,750</u>	
Total current liabilities	\$		316,527

STOCKHOLDERS' EQUITY:

Common stock, no par value			
50,000,000 shares authorized,			
18,546,250 shares issued and outstanding		777,687	
Retained earnings (deficit)		<u>(669,284)</u>	
Total stockholders' equity			<u>108,403</u>
TOTAL LIABILITIES AND AND STOCKHOLDERS' EQUITY	\$		<u><u>424,930</u></u>

ULTIMATE SPORTS, INC.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUE:

Sales	\$	268,954	
Less cost of sales		<u>207,365</u>	
Gross profit			\$ 61,589

EXPENSES:

Interest expense	18,496	
Office and administration	40,265	
Selling expenses	49,591	
Professional services	4,595	
Rent	13,300	
Depreciation	<u>5,624</u>	
Total expenses		<u>131,871</u>
Net loss for the year		\$ <u><u>(70,282)</u></u>

ULTIMATE SPORTS, INC.

STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Common Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
Balances, at January 1, 2013	\$ 777,687	\$ (599,002)	\$ 178,685
Net loss for the year	<u>-</u>	<u>(70,282)</u>	<u>(70,282)</u>
Balances, at June 30, 2011	\$ <u>777,687</u>	\$ <u>(669,284)</u>	\$ <u>108,403</u>

ULTIMATE SPORTS, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss for the year	\$ (70,282)
Adjustments to reconcile net loss with net cash provided by operations:	
Depreciation	5,624
Changes in assets and liabilities:	
Accounts receivable	(159)
Inventory	9,711
Accounts payable and accrued expenses	<u>89,836</u>
Net cash provided by operations	<u>34,730</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal reductions in note payable	(15,277)
Loan to shareholders (net)	<u>(13,159)</u>
Net cash used in financing activities	<u>(28,436)</u>
Net increase in cash	6,294
Cash, beginning of year	<u>11,127</u>
Cash, end of period	<u>\$ 17,421</u>

ULTIMATE SPORTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ultimate Sports, Inc. ("The Company") is an Indiana corporation organized on December 6, 1988. The Company is engaged in the business of designing and assembling snowmobile skis and related products. The Company has offices in West Lafayette, Indiana.

**Accounting Year**

The Company has elected a calendar accounting period beginning on January 1 and ending December 31 each year.

**Method of Accounting**

The financial statements of Ultimate Sports, Inc. have been prepared on the accrual basis of accounting. Under this method, certain revenues are recognized when earned and certain expenses and purchases of assets are recognized when the obligation incurred.

**Management's Estimates**

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

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation account based on its assessment of the current status of individual accounts. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed under accelerated method with useful lives ranging from 5 to 7 years. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Inventory**

Inventory is composed principally of raw materials and is stated at the lower of cost or market. Substantially all inventory is pledged as collateral on bank loans.

**Impairment of Long-Lived Assets**

Long-lived assets and identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount should be addressed. Impairment is measured by comparing the carrying value to the estimated undiscounted future cash flows expected to result from use of the assets and their eventual disposition.

ULTIMATE SPORTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Advertising Cost

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

Financial Instruments

For most financial instruments, including cash, accounts receivable, accounts payable and accruals, management believes that the carrying amount approximates fair value, as the majority of these instruments are short-term in nature.

NOTE 2 – LOANS TO SHAREHOLDER

The Company has made non-interest bearing and unsecured loans to its founding shareholder in the amount of \$82,772. The loans are due on demand.

NOTE 3 - NOTES PAYABLE

The following is a summary of notes payable as of December 31, 2013:

The Farmers State Bank, A note payable in various monthly installments with interest at market rates. Secured by accounts receivable, inventory and equipment.	\$ 144,945
Line of credit loan from Sun Trust Credit, up to \$50,000, payable in varying monthly installments, with interest at prime rates The loan is unsecured.	<u>13,678</u>
Total	<u>\$ 158,623</u>

NOTE 4 – LOAN FROM SHAREHOLDERS

A shareholder, who is also a member of the Board of Directors, periodically advances funds to the Company. The loans are due on demand, without interest and are unsecured. The balance due as of December 31, 2013 was \$61,750.