

USA BADMINTON

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Badminton
Anaheim, California

We have audited the accompanying financial statements of USA Badminton (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the years 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 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 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 financial statements based on our audits. We conducted our audits 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of USA Badminton as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note H to the financial statements, a certain error, resulting in an overstatement of net assets as of December 31, 2016, was discovered by management of the Corporation during the current year. Accordingly, an adjustment has been made to net assets as of January 1, 2017, to correct the cumulative error from previous periods.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and supporting services are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Waugh & Goodwin, LLP

Colorado Springs, Colorado

June 22, 2018

USA BADMINTON
Statement of Financial Position
December 31, 2017

<u>ASSETS</u>	<u>2017</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 208,466
Accounts receivable, net	18,750
Prepaid insurance	8,758
Prepaid expenses	<u>124</u>
Total current assets	236,098
INVESTMENTS	499
FURNITURE AND EQUIPMENT, at cost:	
Office furniture and equipment	19,592
Perpetual trophies	34,336
Less accumulated depreciation	<u>(53,928)</u>
Furniture and equipment, net	<u> </u>
TOTAL ASSETS	<u>\$ 236,597</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
CURRENT LIABILITIES:	
Accounts payable	\$ 15,021
Due to related parties	35,154
Other accrued liabilities	17,073
Passthrough entry fees	46,373
Current portion of deferred revenue	<u>115,550</u>
Total current liabilities	229,171
NONCURRENT LIABILITIES:	
Deferred revenue	<u>8,535</u>
Total liabilities	237,706
NET ASSETS:	
Unrestricted	<u>(1,109)</u>
Total net assets	<u>(1,109)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 236,597</u>

See Notes to Financial Statements

USA BADMINTON
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>2017</u>
REVENUE:	
Tournament/coaching fees	\$ 147,837
USOC grants and VIK support	116,182
High performance income	98,429
Sponsorships	86,050
Membership dues	83,051
Para-badminton income	77,843
Other fee income	59,341
Technical official fees	32,050
Contributions	25,669
Sanction fees	23,850
Insurance income	15,250
Other grants	10,000
Investment income	352
Returns and allowances	<u>(26,033)</u>
Total revenue	749,871
EXPENSES:	
Program services:	
Elite athletes and coaching	349,150
Membership	154,048
Para-badminton	110,858
Athlete development	<u>58,720</u>
Total program services	672,776
Supporting services:	
National office	43,185
Board of directors	<u>10,496</u>
Total supporting services	<u>53,681</u>
Total expenses	<u>726,457</u>
CHANGE IN NET ASSETS	23,414
NET ASSETS, beginning of year:	
as previously reported	(2,994)
Adjustment for additional passthrough entry fees	<u>(21,529)</u>
NET ASSETS, beginning of year, as restated	<u>(24,523)</u>
NET ASSETS, end of year	<u>\$ (1,109)</u>

See Notes to Financial Statements

USA BADMINTON
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 23,414
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	895
Unrealized loss (gain) on securities	(186)
(Increase) decrease in operating assets:	
Accounts receivable, net	(14,300)
Prepaid expenses	(4,982)
Increase (decrease) in operating liabilities:	
Accounts payable	3,524
Other accrued liabilities	1,263
Passthrough entry fees	(37,332)
Deferred revenue	<u>60,410</u>
Total adjustments	<u>9,292</u>
Net cash provided by operating activities	<u>32,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investments	<u>241</u>
Net cash provided by investing activities	<u>241</u>
NET INCREASE IN CASH	32,947
CASH AND CASH EQUIVALENTS, beginning of year	<u>175,519</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 208,466</u>

See Notes to Financial Statements

USA BADMINTON
Notes to Financial Statements
For the Year Ended December 31, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Badminton (the Corporation) is the national governing body for the sport of badminton, making it responsible for the promotion and development of the sport in the United States.

Effective January 1, 2003, the Corporation incorporated in the state of Colorado under the name USA Badminton.

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Corporation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

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

Supplemental Cash Flow Disclosure

The Corporation paid no interest or income taxes during the year ended December 31, 2017.

Accounts Receivable

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year-end. Based on the Corporation's experience with individuals and entities having outstanding balances, it has concluded that an allowance for doubtful accounts of \$0 is necessary for the year ended December 31, 2017.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation

Items with greater than one year useful life and costs greater than \$1,000 are capitalized. Assets are recorded at cost or fair market value if donated and depreciated using the straight-line method over estimated useful lives of five to seven years. Depreciation expense for the year ended December 31, 2017, was \$895.

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. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Donated Services

In as much as an objective basis is not available to measure the value of donated services, none have been included in the accompanying statements; however, a substantial number of volunteers have donated time to the Corporation.

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. However, restricted contributions are reported as an increase in unrestricted net assets if the restriction is satisfied in the same reporting period in which the support is recognized. When a restriction expires, that is, when a stipulated time restriction end or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary and related expenses.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 22, 2018, the date that the financial statements were available to be issued.

Compensated Absences

Employees of the Corporation earn a vested right to compensation for unused vacation. Accordingly, an accrual has been made for vacation compensation that employees have earned but not yet taken.

B. FAIR VALUE MEASUREMENTS

The Corporation applies 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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. Transfers between levels are reported at the end of the reporting period.

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, 2017:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ <u>499</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>499</u>

Investment income consists of the following components for the year ended December 31, 2017:

	<u>2017</u>
Interest and dividends	\$ 166
Unrealized gain (loss) on securities	<u>186</u>
	<u>\$ 352</u>

C. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 there were no temporarily restricted net assets.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose.

D. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Grants and other support provided during the year ended December 31, 2017 consist of the following project categories:

	<u>2017</u>
Para badminton grants	\$ 20,000
Challenge grant	20,000
Business & executive coaching	11,500
Other funding	11,464
Bid fees	1,500
Value-in-kind	1,158
International relations grant	<u>560</u>
	<u>\$ 66,182</u>

Notes to Financial Statements

D. RELATED PARTY TRANSACTIONS - Continued

Also, in August 2012, the Corporation entered into a digital media agreement with the USOC. The term of the agreement is January 1, 2013 through December 31, 2016. The agreement has been extended through December 31, 2020. The Corporation received \$50,000 in digital media fees for the year ended December 31, 2017.

The USOC provides the Corporation with a portion of its current office facilities at no cost, which has been valued at \$1,158 for the year ended December 31, 2017.

At December 31, 2017, the Corporation owed \$35,154 to the USOC for event expenses and facility charges.

E. DEFERRED REVENUE

Membership dues received for one-year memberships are deferred and recognized as revenue over the corresponding period of the membership. Dues for life memberships are deferred and recognized as revenue over a 20 year period. The Corporation recognizes bid fees as revenue when earned. Deferred revenue consists of the following at December 31, 2017:

	<u>2017</u>
USOC	\$ 64,834
Lifetime memberships	10,022
Regular memberships	35,619
Bid fees, sanctions, and tournament income	<u>13,610</u>
	<u>\$ 124,085</u>

F. OPERATING LEASES

During 2017, the Corporation moved its National Headquarters to Anaheim, California. Effective February 28, 2017, the Corporation entered into a new office lease agreement with the USOC, commencing March 1, 2017 and expiring December 31, 2020. The lease terms provide space for one staff member in Colorado Springs, and requires \$6.50 a square foot for the office space and \$3.25 for the common space.

The Corporation has 225 square feet of office space and 173 square feet of common space. The Corporation does not pay for the use of the common space, and it has recorded value-in-kind in the amount of \$1,158 for use of this common space.

Notes to Financial Statements

F. OPERATING LEASES - Continued

During the year ended December 31, 2016, the Corporation entered into an agreement for office space in Anaheim, California, commencing January 1, 2017, and expiring December 31, 2024. The agreement provides the Corporation with in-kind office space for up to six staff.

Future minimum lease payments for the years ended December 31 under these lease agreements are as follows:

2018	\$	1,463
2019		1,463
2020		1,463

G. RETIREMENT PLAN

The Corporation established a salary reduction retirement plan for its employees in January, 2004, pursuant to Section 403(b) of the Internal Revenue Code. USA Badminton does not match voluntary contributions of its employees.

H. PRIOR PERIOD ADJUSTMENT

Net assets were previously overstated by \$21,529, as of December 31, 2016, due to understated liabilities and overstated revenue related to the passthrough tournament entry fees.

The correction of the error in passthrough tournament entry fees (liabilities) and tournament fee income (revenue), for previously reported 2016 amounts, resulted in the following impact on 2016 financial statement elements:

Liabilities

Passthrough entry fees	\$	21,529
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Net Assets

Unrestricted net assets	(21,529)
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Support and Revenue

Tournament fees	(21,529)
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The correction has been recorded according to accounting principles generally accepted in the United States of America.

Notes to Financial Statements

H. PRIOR PERIOD ADJUSTMENT - Continued

Had the error not occurred, the change in unrestricted net assets for the year ended December 31, 2016, would have been decreased by \$21,529, in the previously issued financial statements.

USA BADMINTON
Schedule of Program Services
For the Year Ended December 31, 2017

	Elite Athletes & Coaching	Membership	Para-badminton	Athlete Development	Total Program Services
Advertising & promotions	\$ 1,852	\$	\$	\$	\$ 1,852
Auto & truck fees	329				329
Bank fees	27,210	9,070			36,280
Coaching & officials certifications	6,684				6,684
Events			67,972		67,972
High performance	91,486				91,486
Insurance		31,898			31,898
Postage & delivery		69			69
Professional fees	7,721	28,309		7,721	43,751
Salaries, benefits & payroll taxes	84,703	84,702	6,665	47,905	223,975
Shipping, phones, supplies	137				137
Travel, lodging & meals	24,752		36,221	3,094	64,067
Uniforms	111				111
US open	103,194				103,194
USOC	971				971
	<u>\$ 349,150</u>	<u>\$ 154,048</u>	<u>\$ 110,858</u>	<u>\$ 58,720</u>	<u>\$ 672,776</u>

USA BADMINTON
Schedule of Supporting Services
For the Year Ended December 31, 2017

	National Office	Board of Directors	Total Supporting Services
Bank fees & credit card charges	\$ 754	\$	\$ 754
Board of directors		2,896	2,896
Charitable contributions		25	25
Depreciation	895		895
Equipment	2,496		2,496
Insurance	244		244
Interest expense	817		817
Internet & telephone	148		148
Meals & entertainment	1,657		1,657
Miscellaneous		3,133	3,133
Office supplies	9,446		9,446
Postage & delivery	480		480
Professional fees	7,720		7,720
Rent & lease expense	4,172		4,172
Salaries & payroll taxes	11,108	4,442	15,550
Taxes & licenses	155		155
Travel	3,093		3,093
	<u>\$ 43,185</u>	<u>\$ 10,496</u>	<u>\$ 53,681</u>