

**USA TAEKWONDO, INC.**

**Financial Statements &  
Supplementary Schedules**

**For the Years Ended December 31, 2014 and 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
USA Taekwondo, Inc.  
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Taekwondo, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, 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.

**Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Taekwondo, Inc., as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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  
April 23, 2015

USA TAEKWONDO, INC.  
 Statements of Financial Position  
 December 31, 2014 and 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 288,835	\$ 327,996
Accounts receivable	1,187	22,322
Inventory	32,323	32,323
Prepaid expenses	<u>182,738</u>	<u>5,000</u>
Total current assets	505,083	387,641
<b>FURNITURE AND EQUIPMENT:</b>		
Athletic equipment	62,638	196,947
Office furniture and equipment	55,309	165,307
Transportation equipment	7,285	7,285
Less accumulated depreciation	<u>(88,665)</u>	<u>(322,389)</u>
Furniture and equipment - net	<u>36,567</u>	<u>47,150</u>
<b>TOTAL ASSETS</b>	<u>\$ 541,650</u>	<u>\$ 434,791</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 35,510	\$ 24,870
Accrued liabilities	35,435	21,031
Due to USOC	23,322	163,503
Current portion of deferred revenue	<u>293,342</u>	<u>181,872</u>
Total current liabilities	387,609	391,276
<b>LONG-TERM DEFERRED REVENUE</b>	<u>28,584</u>	<u>32,017</u>
Total liabilities	416,193	423,293
<b>NET ASSETS:</b>		
Unrestricted net assets	<u>125,457</u>	<u>11,498</u>
Total net assets	<u>125,457</u>	<u>11,498</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 541,650</u>	<u>\$ 434,791</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
 Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE:		
Events	\$ 1,460,866	\$ 1,426,197
Membership	594,060	621,506
Sponsorship and royalties	578,447	532,303
USOC grants	442,533	411,499
Dan office	174,049	188,428
Grants and contributions	<u>58,238</u>	<u>14,711</u>
Total revenue	3,308,193	3,194,644
EXPENSES:		
Program services:		
Competitions and events	2,090,257	2,023,205
Membership	531,217	452,845
Athletes, coaching and referees	<u>184,543</u>	<u>98,885</u>
Total program services	2,806,017	2,574,935
Supporting services:		
National office	348,406	276,283
Board of directors	39,811	77,660
Fundraising	<u>          </u>	<u>22,000</u>
Total supporting services	<u>388,217</u>	<u>375,943</u>
Total expenses	<u>3,194,234</u>	<u>2,950,878</u>
CHANGE IN NET ASSETS	113,959	243,766
NET ASSETS, beginning of year	<u>11,498</u>	<u>(232,268)</u>
NET ASSETS, end of year	<u>\$ 125,457</u>	<u>\$ 11,498</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
 Statements of Cash Flows  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 113,959	\$ 243,766
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	14,800	16,416
Changes in assets and liabilities:		
Decrease in accounts receivable	21,135	159,219
Increase in prepaid expenses	(177,738)	3,370
Increase in accounts payable	10,640	(80,571)
Decrease in due to USOC	(140,181)	(109,566)
Increase in accrued liabilities	14,404	(6,122)
Increase in deferred revenue	<u>108,037</u>	<u>45,776</u>
Total adjustments	<u>(148,903)</u>	<u>28,522</u>
Net cash provided (used) by operating activities	(34,944)	272,288
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(4,217)</u>	<u>(16,625)</u>
Net cash used by investing activities	(4,217)	(16,625)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in line of credit	<u>                    </u>	<u>(50,000)</u>
Net cash used by financing activities	<u>                    </u>	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH	(39,161)	205,663
CASH AND CASH EQUIVALENTS, beginning of year	<u>327,996</u>	<u>122,333</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 288,835</u>	<u>\$ 327,996</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Taekwondo, Inc. (the Corporation) is the national governing body for the sport of taekwondo, making it responsible for the conduct and administration of amateur taekwondo in the United States. The Corporation is not a private foundation.

Income Tax

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 it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Depreciation

Furniture and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is recorded for office, transportation and athletic equipment using the straight-line method over an estimated useful life of five to ten years. Depreciation expense for the years ended December 31, 2014 and 2013, was \$14,800 and \$16,416, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking account.

The Corporation maintains its cash and cash equivalents in a commercial bank. In the unlikely event of a bank failure, the Corporation could suffer a loss to the extent its deposits exceed the respective bank's insurance limits.

Inventory

Inventory at December 31, 2014 and 2013, consists of a motorcycle which is held for sale.



## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Accounts Receivable

Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for uncollectible accounts is considered necessary.

#### Prepaid Expenses and Deferred Charges

Event expenses paid for in a fiscal year prior to the occurrence of a scheduled event are deferred and recognized as expenses in the fiscal year in which such events occur.

#### Compensated Absences

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

#### Membership Registrations

Membership registrations consist of annual and life registrations and are recognized as revenue when earned.

#### 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 net assets released from restrictions.

#### In-kind Revenue

Sponsorship income in the form of in-kind goods such as clothing, housing and airfare are reported as revenue and expense in the fiscal year they are received.

#### Supplemental Cash Flow Information

During the years ended December 31, 2014 and 2013, the Corporation did not pay any interest or income taxes.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

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

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

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 23, 2015, the date that the financial statements were available to be issued.

B. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition and team preparation. Total grants from the USOC for the years ended December 31, 2014 and 2013, consist of the following project categories:

	<u>2014</u>	<u>2013</u>
NGB funding	\$ 399,500	\$ 402,186
Challenge grant	30,000	
Other grants	6,100	2,380
VIK rent	<u>6,933</u>	<u>6,933</u>
	<u>\$ 442,533</u>	<u>\$ 411,499</u>

In addition to the grant amounts above, the USOC made direct athlete support payments of \$165,000 and \$200,000 for the years ended December 31, 2014 and 2013, respectively.

## Notes to Financial Statements

### B. RELATED PARTY TRANSACTIONS - Continued

At December 31, 2014 and 2013, \$0 and \$110, respectively, was due from the USOC. The Corporation owed the USOC \$23,322 and \$163,503 at December 31, 2014 and 2013, respectively.

In addition to the amounts above, the USOC provides additional funding in the form of value in kind. These amounts are included in sponsorship revenue and as expenses in the statement of activities.

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

The Corporation entered into a lease agreement with the USOC during 2010 for office space which expires April 30, 2015. No amount is charged for common areas, however, \$6,933 has been reflected in the financial statements as a value-in-kind revenue and cost for the Corporation's share of common area facilities. As part of this agreement, administrative services at the building's front desk are provided at no charge by one of the Corporation's employees one day per week. Subsequent to December 31, 2014, this lease agreement was renewed for an additional five year term.

The Corporation has entered into a digital licensing agreement with the USOC, and the term of the agreement is January 1, 2013 through December 31, 2016. The Corporation received \$75,000 during each of the years ended December 31, 2014 and 2013.

Board members may also serve in other capacities for the Corporation and as such may be reimbursed for their out of pocket expenses and compensated for their time. During the years ended December 31, 2014 and 2013, members of the Board served in capacities as coaches or referees in which they were reimbursed for actual costs incurred or their travel costs were paid directly by the Corporation, and they were compensated for their time in accordance with normal compensation practices of the Corporation.

No Board Member is compensated for their service on the Board of Directors.

## Notes to Financial Statements

### C. DEFERRED REVENUE

Deferred revenue at December 31, 2014 and 2013, consists of the following:

	<u>2014</u>	<u>2013</u>
US Open	\$ 134,530	\$ 8,810
Athlete membership dues	121,982	116,840
Life memberships	33,921	34,589
Sponsorship	30,000	
Non-competitor membership dues	1,493	1,105
National team trials		52,545
	<u>\$ 321,926</u>	<u>\$ 213,889</u>

Dues for life memberships are deferred and recognized as revenue over a 20 year period.

### D. LEASES

As mentioned in Note B, the Corporation leases certain office facilities from the USOC. The initial lease expires April 30, 2015, and has been extended through April 30, 2020. The new lease requires monthly payments of \$1,629 per month, with annual increases based on the regional CPI.

Future minimum lease payments under the terms of this lease are as follows:

2015	\$ 19,051
2016	19,552
2017	19,552
2018	19,552
2019	19,552
2020	6,517

### E. PENSION PLAN

The Corporation has a 401(k) retirement savings plan covering eligible employees. Employees may voluntarily contribute to the plan, subject to statutory limitations. The Corporation will match up to 6% of compensation for employees.

During the years ended December 31, 2014 and 2013, the Corporation contributed \$16,208 and \$14,985, respectively, to the plan.

USA TAEKWONDO, INC.  
Schedule of Program Services  
For the Year Ended December 31, 2014

	<u>Competitions and Events</u>	<u>Membership</u>	<u>Athletes, Coaching and Referees</u>	<u>Total</u>
Advertising	\$ 36,925	\$	\$	\$ 36,925
Apparel		10,281		10,281
Awards & grants	25,151	550		25,701
Contract services, honoraria & temporary help	59,075	3,805	86,000	148,880
Consulting services			1,600	1,600
Credit card fees & bank charges	49,821	25,567	2,595	77,983
Dues, fees & subscriptions	57,792	183,134		240,926
Employee benefits	18,811	11,467		30,278
Equipment & space rental	257,353	6,705		264,058
Event labor	12,249			12,249
Fees			59,457	59,457
Gear & equipment	92,923	592	341	93,856
Ground transportation & parking	11,721		147	11,868
Insurance	7,152	139,703		146,855
Instructor services		1,950		1,950
Miscellaneous expense	664	1,279	2,507	4,450
Payroll taxes	16,910	10,104		27,014
Postage & shipping	17,436	8,719		26,155
Printing & publications	5,453	11,062	1,028	17,543
Referees & coaching	117,598			117,598
Salaries	174,416	104,214		278,630
Scoring	111,137			111,137
Security services	14,638			14,638
Supplies	25,542	5,589	290	31,421
Telephone, internet & IT	67,647	3,979		71,626
Travel, airfare, lodging, per diem	909,843	2,517	30,578	942,938
	<u>\$ 2,090,257</u>	<u>\$ 531,217</u>	<u>\$ 184,543</u>	<u>\$ 2,806,017</u>

USA TAEKWONDO, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2014

	<u>National Office</u>	<u>Board of Directors</u>	<u>Total</u>
Credit card fees & bank charges	\$ 6,245	\$	\$ 6,245
Bad debt expense	3,167		3,167
Depreciation	14,800		14,800
Dues, fees & subscriptions	3,650		3,650
Employee benefits	12,675		12,675
Facilities	13,923		13,923
Ground transportation & parking	111		111
Insurance	6,396	8,556	14,952
Legal fees		15,685	15,685
Miscellaneous expense	560		560
Payroll taxes	15,529		15,529
Postage & shipping	11,194		11,194
Printing & publications	403		403
Professional fees	83,579	1,500	85,079
Salaries	160,165		160,165
Security	2,282		2,282
Supplies	728	923	1,651
Telephone, internet & IT	6,733	4,200	10,933
Travel, airfare & lodging	6,266	8,947	15,213
	<u>\$ 348,406</u>	<u>\$ 39,811</u>	<u>\$ 388,217</u>