

USA TAEKWONDO, INC.

**Financial Statements &
Supplementary Schedules**

For the Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, 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.

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, 2015 and 2014, 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
May 3, 2016

USA TAEKWONDO, INC.
 Statements of Financial Position
 December 31, 2015 and 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 210,991	\$ 288,835
Accounts receivable	318,249	1,187
Due from the USOC	9,630	
Inventory	32,323	32,323
Prepaid expenses	<u>13,461</u>	<u>182,738</u>
Total current assets	584,654	505,083
FURNITURE AND EQUIPMENT:		
Athletic equipment	62,638	62,638
Office furniture and equipment	55,309	55,309
Transportation equipment	7,285	7,285
Less accumulated depreciation	<u>(102,834)</u>	<u>(88,665)</u>
Furniture and equipment - net	<u>22,398</u>	<u>36,567</u>
TOTAL ASSETS	<u>\$ 607,052</u>	<u>\$ 541,650</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 96,988	\$ 35,510
Accrued liabilities	27,241	35,435
Due to the USOC	27,890	23,322
Current portion of deferred revenue	<u>135,594</u>	<u>293,342</u>
Total current liabilities	287,713	387,609
LONG-TERM DEFERRED REVENUE	<u>30,100</u>	<u>28,584</u>
Total liabilities	317,813	416,193
NET ASSETS:		
Unrestricted net assets	<u>289,239</u>	<u>125,457</u>
Total net assets	<u>289,239</u>	<u>125,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 607,052</u>	<u>\$ 541,650</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Events	\$ 1,870,115	\$ 1,460,866
Membership	571,666	594,060
Sponsorship and royalties	540,795	578,447
USOC grants	271,716	442,533
Dan office	163,568	174,049
Grants and contributions	<u>41,433</u>	<u>58,238</u>
Total revenue	3,459,293	3,308,193
EXPENSES:		
Program services:		
Competitions and events	2,118,636	2,090,257
Membership	554,364	531,216
Athletes, coaching and referees	<u>139,155</u>	<u>184,543</u>
Total program services	2,812,155	2,806,016
Supporting services:		
General and administrative	<u>483,356</u>	<u>388,218</u>
Total supporting services	<u>483,356</u>	<u>388,218</u>
Total expenses	<u>3,295,511</u>	<u>3,194,234</u>
CHANGE IN NET ASSETS	163,782	113,959
NET ASSETS, beginning of year	<u>125,457</u>	<u>11,498</u>
NET ASSETS, end of year	<u>\$ 289,239</u>	<u>\$ 125,457</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 163,782	\$ 113,959
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	14,169	14,800
(Increase) decrease in assets:		
Accounts receivable	(317,062)	21,135
Due from the USOC	(9,630)	
Prepaid expenses	169,277	(177,738)
Increase (decrease) in liabilities:		
Accounts payable	61,478	10,640
Due to the USOC	4,568	(140,181)
Accrued liabilities	(8,194)	14,404
Deferred revenue	<u>(156,232)</u>	<u>108,037</u>
Total adjustments	<u>(241,626)</u>	<u>(148,903)</u>
Net cash used by operating activities	(77,844)	(34,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u> </u>	<u>(4,217)</u>
Net cash used by investing activities	<u> </u>	<u>(4,217)</u>
NET DECREASE IN CASH	(77,844)	(39,161)
CASH AND CASH EQUIVALENTS, beginning of year	<u>288,835</u>	<u>327,996</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 210,991</u>	<u>\$ 288,835</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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.

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.

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.

Inventory

Inventory at December 31, 2015 and 2014, consists of a motorcycle which is held for sale.

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.

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, 2015 and 2014, was \$14,169 and \$14,800, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Donated Services

The Corporation recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. For the year ended December 31, 2015, there were no donated services recorded.

A number of volunteers donated time to the Corporation's program services; however, the estimated value was not recorded, because they did not meet the criteria described above.

In-kind Revenue

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Supplemental Cash Flow Information

During the years ended December 31, 2015 and 2014, the Corporation did not pay any interest or income taxes.

Functional Allocation of Expenses

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

Prior-Year Comparisons

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

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.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 3, 2016, the date that the financial statements were available to be issued.

Notes to Financial Statements

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, 2015 and 2014, consist of the following project categories:

	<u>2015</u>	<u>2014</u>
NGB funding	\$ 232,198	\$ 399,500
Challenge grant	25,000	30,000
Other grants	7,200	6,100
VIK rent	<u>7,318</u>	<u>6,933</u>
	<u>\$ 271,716</u>	<u>\$ 442,533</u>

In addition to the grant amounts above, the USOC made direct athlete support payments of \$160,000 and \$165,000 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, \$9,630 and \$0, respectively, was due from the USOC. The Corporation owed the USOC \$27,890 and \$23,322 at December 31, 2015 and 2014, 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 expired April 30, 2015. During the year ended December 31, 2015, this lease was extended through April 30, 2020. No amount is charged for common areas, however, \$7,318 and \$6,933 has been reflected in the financial statements as value-in-kind revenue and cost for the Corporation's share of common area facilities as of December 31, 2015 and 2014, respectively. 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.

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, 2015 and 2014. These amounts are included in sponsorship and royalties in the statement of activities.

Notes to Financial Statements

B. RELATED PARTY TRANSACTIONS - Continued

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, 2015 and 2014, 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.

C. DEFERRED REVENUE

Deferred revenue at December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Athlete membership dues	\$ 110,166	\$ 121,982
Life memberships	32,844	33,921
Team trials	12,500	
US Open	9,029	134,530
Non-competitor membership dues	1,155	1,493
Sponsorship	<u> </u>	<u>30,000</u>
	<u>\$ 165,694</u>	<u>\$ 321,926</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 expired 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:

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

Notes to Financial Statements

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, 2015 and 2014, the Corporation contributed \$12,353 and \$16,208, respectively, to the plan.

USA TAEKWONDO, INC.
Schedule of Program Services
For the Year Ended December 31, 2015

	<u>Competitions and Events</u>	<u>Membership</u>	<u>Athletes, Coaching and Referees</u>	<u>Total</u>
Advertising	\$ 29,225	\$	\$	\$ 29,225
Awards & grants	15,500			15,500
Contract services, honoraria & temporary help	51,318	11,377	82,700	145,395
Credit card fees & bank charges	42,724	18,130	3,443	64,297
Dues, fees & subscriptions	88,306	121,604	349	210,259
Employee benefits	18,686	12,027		30,713
Equipment & space rental	472,590	14,266		486,856
Fees			19,687	19,687
Gear & equipment	63,014	1,873		64,887
Ground transportation & parking	28,290			28,290
Insurance	4,911	155,782		160,693
Miscellaneous expense	6,186	16,404	2,587	25,177
Payroll taxes	23,139	14,892		38,031
Postage & shipping	33,777	8,534		42,311
Printing & publications	20,948	7,373		28,321
Referees & coaching	107,875			107,875
Salaries	237,689	152,974		390,663
Scoring	67,157			67,157
Security services	27,825			27,825
Supplies	10,410	1,938	59	12,407
Technology		7,660		7,660
Telephone, internet & IT	37,677	5,964		43,641
Travel, airfare, lodging, per diem	731,389	3,566	30,330	765,285
	<u>\$ 2,118,636</u>	<u>\$ 554,364</u>	<u>\$ 139,155</u>	<u>\$ 2,812,155</u>

USA TAEKWONDO, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2015

	<u>General & Administrative</u>
Credit card fees & bank charges	\$ 9,157
Depreciation	14,169
Dues, fees & subscriptions	4,372
Employee benefits	21,276
Facilities	7,379
Ground transportation & parking	304
Insurance	13,889
Legal fees	157,239
Miscellaneous expense	1,456
Other professional fees	25,627
Payroll taxes	16,613
Postage & shipping	2,494
Printing & publications	2,146
Salaries	170,643
Security	513
Supplies	1,903
Telephone, internet & IT	9,872
Travel, airfare & lodging	24,304
	<u>\$ 483,356</u>