

**USA TAEKWONDO, INC.**

**Financial Statements &  
Supplementary Schedules**

**For the Years Ended December 31, 2016 and 2015**

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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, 2016 and 2015, 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 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 auditors' 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, 2016 and 2015, 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 27, 2017

USA TAEKWONDO, INC.  
 Statements of Financial Position  
 December 31, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 391,063	\$ 210,991
Accounts receivable	7,707	318,249
Due from the USOC	27,845	9,630
Inventory	32,323	32,323
Prepaid expenses	<u>26,061</u>	<u>13,461</u>
Total current assets	484,999	584,654
<b>FURNITURE AND EQUIPMENT:</b>		
Athletic equipment	56,313	62,638
Office furniture and equipment	25,852	55,309
Transportation equipment	14,285	7,285
Less accumulated depreciation	<u>(83,268)</u>	<u>(102,834)</u>
Furniture and equipment - net	<u>13,182</u>	<u>22,398</u>
<b>TOTAL ASSETS</b>	<u>\$ 498,181</u>	<u>\$ 607,052</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 34,196	\$ 96,988
Accrued liabilities	36,986	27,241
Due to the USOC	11,016	27,890
Current portion of deferred revenue	<u>217,458</u>	<u>135,594</u>
Total current liabilities	299,656	287,713
<b>LONG-TERM DEFERRED REVENUE</b>	<u>29,877</u>	<u>30,100</u>
Total liabilities	329,533	317,813
<b>NET ASSETS:</b>		
Unrestricted net assets	<u>168,648</u>	<u>289,239</u>
Total net assets	<u>168,648</u>	<u>289,239</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 498,181</u>	<u>\$ 607,052</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
 Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Events	\$ 1,583,332	\$ 1,870,115
Membership	611,235	571,666
Sponsorship and royalties	467,903	540,795
USOC grants	235,216	271,716
Dan office	167,700	163,568
Grants and contributions	22,768	41,433
Merchandise sales		
Net of cost of \$3,082	2,517	
Total revenue	3,090,671	3,459,293
EXPENSES:		
Program services:		
Competitions and events	2,073,478	2,118,636
Membership	510,409	554,364
Athletes, coaching and referees	145,938	139,155
Total program services	2,729,825	2,812,155
Supporting services:		
General and administrative	460,006	483,356
Fundraising	21,431	
Total supporting services	481,437	483,356
Total expenses	3,211,262	3,295,511
CHANGE IN NET ASSETS	(120,591)	163,782
NET ASSETS, beginning of year	289,239	125,457
NET ASSETS, end of year	\$ 168,648	\$ 289,239

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (120,591)	\$ 163,782
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	16,216	14,169
(Increase) decrease in assets:		
Accounts receivable	310,542	(317,062)
Due from the USOC	(18,215)	(9,630)
Prepaid expenses	(12,600)	169,277
Increase (decrease) in liabilities:		
Accounts payable	(62,792)	61,478
Due to the USOC	(16,874)	4,568
Accrued liabilities	9,745	(8,194)
Deferred revenue	<u>81,641</u>	<u>(156,232)</u>
Total adjustments	<u>307,663</u>	<u>(241,626)</u>
Net cash provided (used) by operating activities	187,072	(77,844)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(7,000)</u>	<u>          </u>
Net cash used by investing activities	<u>(7,000)</u>	<u>          </u>
NET INCREASE (DECREASE) IN CASH	180,072	(77,844)
CASH AND CASH EQUIVALENTS, beginning of year	<u>210,991</u>	<u>288,835</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 391,063</u>	<u>\$ 210,991</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Notes to Financial Statements  
For the Years Ended December 31, 2016 and 2015

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 recorded an allowance for doubtful accounts of \$1,482 and \$0 at December 31, 2016 and 2015, respectively.

Inventory

Inventory at December 31, 2016 and 2015, 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, 2016 and 2015, was \$16,216 and \$14,169, 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 years ended December 31, 2016 and 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. The Corporation recorded \$67,408 and \$111,256 of in-kind revenue for the years ended December 31 2016 and 2015, respectively.

## 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, 2016 and 2015, 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 April 27, 2017, 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, 2016 and 2015, consist of the following project categories:

	<u>2016</u>	<u>2015</u>
NGB funding	\$ 125,020	\$ 232,198
Other grants	77,685	7,200
Challenge grant	25,000	25,000
VIK rent	<u>7,511</u>	<u>7,318</u>
	<u>\$ 235,216</u>	<u>\$ 271,716</u>

In addition to the grant amounts above, the USOC made direct athlete support payments of \$207,000 and \$160,000 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, \$27,845 and \$9,630, respectively, was due from the USOC. The Corporation owed the USOC \$11,016 and \$27,890 at December 31, 2016 and 2015, 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 extended a lease agreement with the USOC during 2015 for office space which expires on April 30, 2020. No amount is charged for common areas, however, \$7,511 and \$7,318 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, 2016 and 2015, 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, 2016 and 2015. 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, 2016 and 2015, 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, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Athlete membership dues	\$ 137,927	\$ 110,166
US Open	75,803	9,029
Life memberships	32,760	32,844
Non-competitor membership dues	845	1,155
Team trials	<u>                    </u>	<u>12,500</u>
	<u>\$ 247,335</u>	<u>\$ 165,694</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:

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, 2016 and 2015, the Corporation contributed \$7,730 and \$12,353, respectively, to the plan.

USA TAEKWONDO, INC.  
Statements of Financial Position  
December 31, 2016 and 2015

	<u>Competitions and Events</u>	<u>Membership</u>	<u>Athletes, Coaching and Referees</u>	<u>Total</u>
Advertising	\$		\$	\$
Awards & grants	463	1,888		1,888
Bad debts	171,586			463
Consulting services			300	171,586
Contract services, honoraria & temporary help	93,089	16,249	56,000	300
Credit card fees & bank charges	37,563	24,105	2,264	165,338
Dues, fees & subscriptions	117,123	110,894	561	63,932
Employee benefits	34,581	9,430		228,578
Equipment & space rental	279,427	7,332		44,011
Fees			48,000	286,759
Gear & equipment	75,441	1,737	669	48,000
Ground transportation & parking	22,770		344	77,847
Insurance	687	155,472		23,114
Miscellaneous expense	19,189	13,955	1,987	156,159
Payroll taxes	22,833	9,593	346	35,131
Postage & shipping	39,588	7,586	362	32,772
Printing & publications	19,050	7,145		47,536
Referees & coaching	130,683			26,195
Salaries	278,084	130,071		130,683
Scoring	36,114			408,155
Security services	39,008			36,114
Supplies	12,903	1,918	73	39,008
Technology		420		14,894
Telephone, internet & IT	38,854	6,049		420
Tickets	5,728			44,903
Travel, airfare, lodging, per diem	598,714	6,565	35,032	5,728
	<u>\$ 2,073,478</u>	<u>\$ 510,409</u>	<u>\$ 145,938</u>	<u>\$ 2,729,825</u>

USA TAEKWONDO, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2016

	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 249	\$	\$ 249
Credit card fees & bank charges	8,172		8,172
Contract services, honoraria & temporary help		21,000	21,000
Depreciation	16,216		16,216
Dues, fees & subscriptions	5,420		5,420
Employee benefits	18,864		18,864
Facilities	18,364		18,364
Ground transportation & parking	3,579		3,579
Insurance	13,564		13,564
Legal fees	142,490		142,490
Miscellaneous expense	2,398		2,398
Other professional fees	22,350		22,350
Payroll taxes	15,453		15,453
Postage & shipping	298		298
Printing & publications	338		338
Salaries	154,182		154,182
Security	55		55
Supplies	3,873		3,873
Telephone, internet & IT	9,685		9,685
Travel, airfare & lodging	24,456	431	24,887
	<u>\$ 460,006</u>	<u>\$ 21,431</u>	<u>\$ 481,437</u>