



USA TAEKWONDO, INC.

Financial Statements

For the Year Ended December 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the 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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Taekwondo, Inc., as of December 31, 2018, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited USA Taekwondo, Inc.'s 2017 financial statements, and our report dated May 10, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the financial statements, in 2018, USA Taekwondo, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
July 19, 2019

USA TAEKWONDO, INC.
Statement of Financial Position
December 31, 2018
(With Comparative Amounts for 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 453,656	\$ 257,528
Accounts receivable	74,783	47,085
Contributions receivable	5,140	
Due from the USOPC		3,200
Inventory	15,000	32,323
Prepaid expenses	<u>72,084</u>	<u>74,017</u>
Total current assets	620,663	414,153
FURNITURE AND EQUIPMENT:		
Athletic equipment	29,757	29,757
Office furniture and equipment	42,838	42,838
Transportation equipment	14,285	14,285
Less accumulated depreciation	<u>(74,607)</u>	<u>(65,643)</u>
Furniture and equipment - net	<u>12,273</u>	<u>21,237</u>
TOTAL ASSETS	<u>\$ 632,936</u>	<u>\$ 435,390</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 40,212	\$ 73,035
Accrued liabilities	28,197	23,987
Due to the USOPC	27,894	12,881
Current portion of deferred revenue	<u>162,361</u>	<u>162,921</u>
Total current liabilities	258,664	272,824
LONG-TERM DEFERRED REVENUE	<u>27,231</u>	<u>28,298</u>
Total liabilities	285,895	301,122
NET ASSETS:		
Without donor restrictions	<u>347,041</u>	<u>134,268</u>
Total net assets	<u>347,041</u>	<u>134,268</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 632,936</u>	<u>\$ 435,390</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
REVENUE:		
Events	\$ 1,792,933	\$ 1,522,263
Membership	686,900	652,623
Sponsorship and royalties	609,635	343,041
USOPC grants	499,327	373,803
Dan office	126,825	167,408
Grants and contributions	<u>10,965</u>	<u>12,917</u>
Total revenue	3,726,585	3,072,055
EXPENSES:		
Program services:		
National & international events	1,613,030	1,586,395
High performance programs	975,483	510,098
Membership services	<u>477,266</u>	<u>578,761</u>
Total program services	3,065,779	2,675,254
Supporting services:		
General & administrative	448,033	413,183
Fundraising	<u> </u>	<u>18,000</u>
Total supporting services	<u>448,033</u>	<u>431,183</u>
Total expenses	<u>3,513,812</u>	<u>3,106,437</u>
CHANGE IN NET ASSETS	212,773	(34,382)
NET ASSETS, beginning of year	<u>134,268</u>	<u>168,650</u>
NET ASSETS, end of year	<u>\$ 347,041</u>	<u>\$ 134,268</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	National & International Events	High Performance Programs	Membership Services	Total Program Services
	\$	\$	\$	\$
Advertising				
Airline travel	59,148	310,207	7,630	376,985
Bad debt expense				
Bank fees	42,724	6,742	26,014	75,480
Contract services	488,773	119,312	38,447	646,532
Depreciation				
Dues & subscriptions	4,252	2,147	6,812	13,211
Employee benefits	18,812	20,705	13,592	53,109
Equipment	8,572	6,676	3,193	18,441
Fees	45,859	59,660	132,524	238,043
Food & beverage	82,644	16,914	827	100,385
Freight & shipping	28,294		22	28,316
General & medical supplies	6,895	9,785	1,142	17,822
Ground travel	10,389	13,358	310	24,057
Information technology	2,127	3,168	4,224	9,519
Insurance		2,155	111,278	113,433
Inventory valuation adjustment				
Legal fees				
Meal allowance	66,217	69,424		135,641
Medals, awards & gifts	1,751			1,751
Occupancy - office space	3,361	3,361	6,721	13,443
Payroll taxes	9,738	10,716	7,035	27,489
Pension expense	2,699	2,971	1,950	7,620
Postage	3,087	4,095	5,643	12,825
Printing & copying	19,195	1,285	3,954	24,434
Rentals & venue costs	314,703	6,407	200	321,310
Repairs & maintenance	536	68		604
Rooms & lodging	253,116	147,116	5,028	405,260
Salaries	137,967	151,840	99,685	389,492
Tax expense	849			849
Telephone	968	2,743	1,035	4,746
Tickets	125			125
Visa & travel services	229	4,628		4,857
	<u>\$ 1,613,030</u>	<u>\$ 975,483</u>	<u>\$ 477,266</u>	<u>\$ 3,065,779</u>

	General & Administrative	Total Supporting Services	2018 Total Expenses	2017 Total Expenses
Advertising	\$		\$	\$ 529
Airline travel	16,601	16,601	393,586	264,341
Bad debt expense				50
Bank fees	4,424	4,424	79,904	75,206
Contract services	3,916	3,916	650,448	433,958
Depreciation	8,964	8,964	8,964	10,858
Dues & subscriptions	1,540	1,540	14,751	6,275
Employee benefits	23,054	23,054	76,163	75,623
Equipment	2,747	2,747	21,188	50,532
Fees	16,899	16,899	254,942	274,118
Food & beverage	6,134	6,134	106,519	154,959
Freight & shipping	77	77	28,393	21,064
General & medical supplies	2,587	2,587	20,409	16,372
Ground travel	1,142	1,142	25,199	19,469
Information technology	4,592	4,592	14,111	14,729
Insurance	12,872	12,872	126,305	164,149
Inventory valuation adjustment	17,323	17,323	17,323	
Legal fees	113,602	113,602	113,602	102,910
Meal allowance			135,641	75,024
Medals, awards & gifts			1,751	762
Occupancy - office space	11,991	11,991	25,434	27,063
Payroll taxes	11,932	11,932	39,421	46,783
Pension expense	3,308	3,308	10,928	4,444
Postage	166	166	12,991	13,069
Printing & copying	651	651	25,085	29,827
Rentals & venue costs	4,543	4,543	325,853	241,298
Repairs & maintenance			604	392
Rooms & lodging	7,407	7,407	412,667	345,401
Salaries	169,054	169,054	558,546	622,634
Tax expense			849	
Telephone	2,507	2,507	7,253	7,639
Tickets			125	
Visa & travel services			4,857	6,959
	<u>\$ 448,033</u>	<u>\$ 448,033</u>	<u>\$ 3,513,812</u>	<u>\$ 3,106,437</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Notes to Financial Statements
For the Year Ended December 31, 2018

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.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of the financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Corporation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 134,268	\$
Net assets without donor restrictions		<u>134,268</u>
Total net assets	<u>\$ 134,268</u>	<u>\$ 134,268</u>

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year financial statements.

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

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year end. Based on the Corporation's assessment of the credit history with customers having outstanding balances and current

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

relationships with them, it has concluded that any losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for uncollectible accounts is considered necessary.

Inventory

Inventory at December 31, 2018 and 2017, consists of a motorcycle which is held for sale, this motorcycle is valued at its estimated net realizable value.

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, 2018 and 2017, was \$8,964 and \$10,858, respectively.

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.

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 \$142,853 and \$38,269 of in-kind revenue for the years ended December 31 2018 and 2017, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advertising Costs

The Corporation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ending December 31, 2018 and 2017 was \$0 and \$529, respectively.

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, 2018 and 2017, 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.

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, 2018 and 2017, 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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Corporation. Certain costs and expenses are allocated among the various programs and supporting service expenses based on time and effort estimates.

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 July 19, 2019, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

USA Taekwondo, Inc. is dedicated to ensuring that all financial operations and transactions are conducted under the highest standards and in the best interest of furthering the Corporation's mission. As part of the Corporation's liquidity management, the Corporation regularly monitors liquidity required to meet its operating needs and other commitments. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, and accounts receivable. The Corporation does not currently have any short-term investments.

In addition to financial assets available to meet general cash expenditures over the next 12 months, the Corporation strives to produce a conservative budget and anticipates collecting revenue from conducting its program services as well as receiving support to adequately cover operating expenses.

The following table reflects the Corporation's financial assets as of December 31, 2018 and 2017. The Corporation does not currently have any funds whose general use is limited by donor restrictions or board designations.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 453,656	\$ 257,528
Accounts receivable	<u>79,923</u>	<u>50,285</u>
Financial assets available to meet cash needs within one year	<u>\$ 533,579</u>	<u>\$ 307,813</u>

C. RELATED PARTY TRANSACTIONS

The United States Olympic & Paralympic Committee (USOPC) provides grants to the Corporation for sports development, international competition and team preparation. Total grants from the USOPC for the years ended December 31, 2018 and 2017, consist of the following project categories:

	<u>2018</u>	<u>2017</u>
NGB funding	\$ 455,820	\$ 347,488
Other grants	35,996	18,804
VIK rent	<u>7,511</u>	<u>7,511</u>
	<u>\$ 499,327</u>	<u>\$ 373,803</u>

In addition to the grant amounts above, the USOPC made direct athlete support payments of \$100,000 for both of the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, \$0 and \$3,200, respectively, was due from the USOPC. The Corporation owed the USOPC \$27,894 and \$12,881 at December 31, 2018 and 2017, respectively.

In addition to the amounts above, the USOPC 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 and changes in net assets.

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

The Corporation extended a lease agreement with the USOPC during 2015 for office space which originally expired on April 30, 2020. No amount was charged for common areas, however, \$7,511 has been reflected in the financial statements as value in kind revenue and cost for the Corporation's share of common area facilities for each of the years ending December 31, 2018 and 2017. As part of this agreement, administrative services at the building's front desk were provided at no charge by one

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS - Continued

of the Corporation's employees one day per week. Subsequent to year end, the Corporation has terminated this lease and has entered into a new office lease agreement with an unrelated party (Note E).

The Corporation previously entered into a digital licensing agreement with the USOPC, and the term of the agreement was January 1, 2013 through December 31, 2016. During the year ending December 31, 2017, the Corporation entered into an amendment extending this agreement through December 31, 2020. The Corporation received \$75,000 during each of the years ended December 31, 2018 and 2017. These amounts are included in sponsorship and royalties in the statement of activities.

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, 2018 and 2017, 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.

D. DEFERRED REVENUE

Deferred revenue at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Athlete membership dues	\$ 154,110	\$ 148,083
Life memberships	33,713	31,254
Non-competitor membership dues	1,769	1,007
National championships		10,000
Athlete development		875
	<u>\$ 189,592</u>	<u>\$ 191,219</u>

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

Notes to Financial Statements

E. LEASES

As mentioned in Note B, the Corporation leased certain office facilities from the USOPC. Subsequent to the year ended December 31, 2018, this lease was terminated by the Corporation. The initial lease expired April 30, 2015 and had been extended through April 30, 2020. The extended lease required monthly payments of \$1,629 per month, with annual increases based on the regional CPI. Upon termination, there was no cancelation fee payable by the Corporation.

In February 2019, the Corporation entered into a new lease for office space. The lease commenced on April 1, 2019 and expires on April 1, 2024. The lease requires payments of \$3,316 per month during the first lease year, with annual increases following an agreed upon schedule. The Corporation must also pay a monthly estimated pro rata share of real estate taxes and 10% of annually estimated incurred common area maintenance expenses.

Rent expense under these leases were \$25,434 and \$27,063 for the years ended December 31, 2018 and 2017, respectively.

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

2019	\$	34,732
2020		40,687
2021		41,928
2022		43,190
2023		44,501

F. PENSION PLAN

During the year ended December 31, 2017, the Corporation had a 401(k) retirement savings plan which covered eligible employees. Employees were able to voluntarily contribute to the plan, subject to statutory limitations. The Corporation matched up to 6% of compensation for employees.

During the year ended December 31, 2017, the Corporation contributed \$4,444 to the plan.

Effective December 2017, the Corporation terminated their 401(k) plan. During the year ended December 31, 2018, the Corporation established a SIMPLE IRA retirement savings plan to cover eligible employees as outlined in the plan document. The Corporation contributes 2% of compensation for employees. During the year ended December 31, 2018, the Corporation contributed \$10,928 to the plan.

Notes to Financial Statements

G. CONTINGENCIES

During the year ended December 31, 2018, several allegations were made concerning the sport, potentially naming the Corporation as a party to possible litigation. Management believes that should any claims proceed they will be covered by insurance. No amounts have been recorded in the financial statements related to these alleged claims.