

**USA TAEKWONDO, INC.**

**Financial Statements &  
Supplementary Schedules**

**For the Years Ended December 31, 2013 and 2012**

## TABLE OF CONTENTS

Independent Auditors' Report . . . . .	1
Statements of Financial Position . . . . .	3
Statements of Activities and Changes in Net Assets . . . . .	4
Statements of Cash Flows . . . . .	5
Notes to Financial Statements . . . . .	6
Schedule of Program Services . . . . .	11
Schedule of Supporting Services . . . . .	12

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, 2013 and 2012, 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 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 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, 2013 and 2012, 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  
June 26, 2014

USA TAEKWONDO, INC.  
 Statements of Financial Position  
 December 31, 2013 and 2012

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 327,996	\$ 122,333
Accounts receivable	22,322	181,541
Inventory	32,323	32,323
Prepaid expenses	<u>5,000</u>	<u>8,370</u>
Total current assets	387,641	344,567
<b>FURNITURE AND EQUIPMENT:</b>		
Athletic equipment	196,947	196,947
Office furniture and equipment	165,307	148,682
Transportation equipment	7,285	7,285
Less accumulated depreciation	<u>(322,389)</u>	<u>(305,973)</u>
Furniture and equipment - net	<u>47,150</u>	<u>46,941</u>
<b>TOTAL ASSETS</b>	<u>\$ 434,791</u>	<u>\$ 391,508</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 24,870	\$ 105,441
Accrued liabilities	21,031	27,153
Due to USOC	163,503	273,069
Line of credit		50,000
Current portion of deferred revenue	<u>181,872</u>	<u>135,024</u>
Total current liabilities	391,276	590,687
<b>LONG-TERM DEFERRED REVENUE</b>	<u>32,017</u>	<u>33,089</u>
Total liabilities	423,293	623,776
<b>NET ASSETS:</b>		
Unrestricted net assets	<u>11,498</u>	<u>(232,268)</u>
Total net assets	<u>11,498</u>	<u>(232,268)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 434,791</u>	<u>\$ 391,508</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
 Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>REVENUE:</b>		
Events	\$ 1,426,197	\$ 1,155,794
Membership	621,506	536,271
USOC grants	411,499	514,559
Sponsorship and royalties	532,303	228,020
Dan office	188,428	152,191
Grants and contributions	14,711	315,918
Advertising		6,910
Loss on disposal of asset		(2,051)
	3,194,644	2,907,612
<b>EXPENSES:</b>		
Program services:		
Competitions and events	2,023,205	1,728,230
Membership	382,132	309,038
Athletes, coaching and referees	98,885	100,613
	2,504,222	2,137,881
Supporting services:		
National office	346,996	691,249
Board of directors	77,660	14,383
Fundraising	22,000	
	446,656	705,632
Total supporting services	446,656	705,632
Total expenses	2,950,878	2,843,513
CHANGE IN NET ASSETS	243,766	64,099
NET ASSETS, beginning of year	(232,268)	(296,367)
NET ASSETS, end of year	\$ 11,498	\$ (232,268)

See Notes to Financial Statements

USA TAEKWONDO, INC.  
 Statements of Cash Flows  
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 243,766	\$ 64,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,416	18,170
Loss on disposal of asset		2,051
Changes in assets and liabilities:		
Decrease in accounts receivable	159,219	241,238
Decrease in prepaid expenses	3,370	(8,370)
Decrease in accounts payable	(80,571)	(259,470)
Increase in due to USOC	(109,566)	115,439
Decrease in accrued liabilities	(6,122)	(6,011)
Increase in deferred revenue	<u>45,776</u>	<u>(16,579)</u>
Total adjustments	<u>28,522</u>	<u>86,468</u>
Net cash provided by operating activities	272,288	150,567
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of asset		4,070
Acquisition of property and equipment	<u>(16,625)</u>	<u>(15,702)</u>
Net cash used by investing activities	(16,625)	(11,632)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in line of credit	<u>(50,000)</u>	<u>(45,000)</u>
Net cash used by financing activities	<u>(50,000)</u>	<u>(45,000)</u>
NET INCREASE IN CASH	205,663	93,935
CASH AND CASH EQUIVALENTS, beginning of year	<u>122,333</u>	<u>28,398</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 327,996</u>	<u>\$ 122,333</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012

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, are subject to examination by various taxing authorities, generally for three years after the date they were 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, 2013 and 2012 was \$16,416 and \$18,170, respectively.

Cash and Cash Equivalents

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

Inventory

Inventory at December 31, 2013 and 2012 consists of a motorcycle which is held for sale.



## Notes to Financial Statements

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

#### Accounts Receivable

During the year ended December 31, 2012, management became aware of additional facts regarding a significant receivable from a prior year and determined that the likelihood of collection was diminished. Due to these facts, the entire receivable was written off as a bad debt during 2012 and this amount is included in national office expenses in the accompanying financial statements.

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.

#### 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 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

#### 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 June 26, 2014, 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, 2013 and 2012 consist of the following project categories:

	<u>2013</u>	<u>2012</u>
NGB funding	\$ 402,186	\$ 429,026
Other grants	2,380	78,600
VIK rent	<u>6,933</u>	<u>6,933</u>
	<u>\$ 411,499</u>	<u>\$ 514,559</u>

In addition to the grant amounts above, the USOC made direct athlete support payments of \$200,000 for each of the years ended December 31, 2013 and 2012.

## Notes to Financial Statements

### B. RELATED PARTY TRANSACTIONS - Continued

At December 31, 2013 and 2012, \$110 and \$55,000, respectively, was due from the USOC. The Corporation owed the USOC \$163,503 and \$273,069 at December 31, 2013 and 2012, 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 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.

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 the year ended December 31, 2013. Prior to 2013, the Corporation entered into a content license agreement with the USOC. The term of the agreement was July 1, 2007 through December 31, 2012. Funding for the year ended December 31, 2012 was \$75,000. These amounts are included in sponsorship 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, 2013 and 2012, 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.

### C. LINE OF CREDIT

The Corporation had a line of credit with a commercial bank in the amount of \$250,000 which matured June 10, 2013 and was not renewed. At December 31, 2012, there was an outstanding balance of \$50,000.

## Notes to Financial Statements

### D. DEFERRED REVENUE

Deferred revenue at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Athlete membership dues	\$ 116,840	\$ 111,268
Life memberships	34,589	35,661
National team trials	52,545	11,085
US Open	8,810	8,955
Non-competitor membership dues	<u>1,105</u>	<u>1,144</u>
	<u>\$ 213,889</u>	<u>\$ 168,113</u>

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

### E. LEASES

As mentioned in Note B, the Corporation leases certain office facilities from the USOC.

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

2014	\$ 18,048
2015	6,016

### F. 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, 2013 and 2012, the Corporation contributed \$14,985 and \$19,414, respectively, to the plan.

USA TAEKWONDO, INC.  
Schedule of Program Services  
For the Year Ended December 31, 2013

	<u>Competitions and Events</u>	<u>Membership</u>	<u>Athletes, Coaching and Referees</u>	<u>Total</u>
Advertising	\$ 27,525	\$	\$	\$ 27,525
Awards & grants	25,446	136	1,010	26,592
Bad debts	11,167			11,167
Contract services, honoraria & temporary help	59,162	4,688	13,735	77,585
Consulting services			1,563	1,563
Credit card fees & bank charges	43,868	29,748	4,287	77,903
Dues, fees & subscriptions	44,217	132,930	3,114	180,261
Employee benefits	16,824	11,084	4,669	32,577
Equipment & space rental	288,715	6,956	665	296,336
Event labor	239,473			239,473
Gear & equipment	49,223		930	50,153
Ground transportation & parking	16,766		3,979	20,745
Insurance	6,913	49,726	1,356	57,995
Miscellaneous expense	5,236	4,085	430	9,751
Payroll taxes	16,451	10,839	4,565	31,855
Postage & shipping	16,948	3,460		20,408
Printing & publications	13,450	6,257	1,614	21,321
Referees & coaching	129,815			129,815
Salaries	154,404	101,729	42,848	298,981
Scoring	108,521			108,521
Security services	5,303			5,303
Supplies	28,738	14,565	3,583	46,886
Telephone, internet & IT	45,057	5,929		50,986
Travel, airfare, lodging, per diem	669,983		10,537	680,520
	<u>\$ 2,023,205</u>	<u>\$ 382,132</u>	<u>\$ 98,885</u>	<u>\$ 2,504,222</u>

USA TAEKWONDO, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2013

	<u>National Office</u>	<u>Board of Directors</u>	<u>Fundraising</u>	<u>Total</u>
Credit card fees & bank charges	\$ 5,342	\$	\$	\$ 5,342
Depreciation	16,416			16,416
Dues, fees & subscriptions	3,724			3,724
Employee benefits	7,156			7,156
Facilities	31,078	384		31,462
Ground transportation & parking	221			221
Insurance	78,576	7,830		86,406
Interest expense	1,564			1,564
Legal fees	4,110	39,448		43,558
Miscellaneous expense	541			541
Payroll taxes	6,997			6,997
Postage & shipping	10,033			10,033
Printing & publications	364			364
Professional fees	80,419	6,150	22,000	108,569
Salaries	78,305			78,305
Security	170			170
Supplies	1,565			1,565
Telephone, internet & IT	8,105	8,039		16,144
Travel, airfare & lodging	12,310	15,809		28,119
	<u>\$ 346,996</u>	<u>\$ 77,660</u>	<u>\$ 22,000</u>	<u>\$ 446,656</u>