



USA TAEKWONDO, INC.

Financial Statements

For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of USA Taekwondo, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Taekwondo, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Taekwondo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USA Taekwondo, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Taekwondo, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited USA Taekwondo, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
June 25, 2024

USA TAEKWONDO, INC.
Statement of Financial Position
December 31, 2023
(With Comparative Amounts for December 31, 2022)

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,100	\$ 306,206
Accounts receivable, net of allowance for credit losses of \$0 and \$30,000	15,581	49,422
Due from the USOPC		3,747
Prepaid expenses	<u>179,770</u>	<u>97,832</u>
Total current assets	377,451	457,207
OTHER ASSETS - SECURITY DEPOSIT	500	5,576
RIGHT-OF-USE ASSETS	10,718	54,491
FURNITURE AND EQUIPMENT:		
Athletic equipment	86,722	136,077
Leasehold improvements		38,260
Office furniture and equipment	5,867	56,305
Transportation equipment	14,285	14,285
Less accumulated depreciation	<u>(54,931)</u>	<u>(146,581)</u>
Furniture and equipment - net	<u>51,943</u>	<u>98,346</u>
TOTAL ASSETS	<u>\$ 440,612</u>	<u>\$ 615,620</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 140,543	\$ 90,864
Accrued liabilities	35,902	30,036
Due to the USOPC	110,545	45,597
Lease liability	6,745	44,860
Current portion of deferred revenue	<u>301,546</u>	<u>185,035</u>
Total current liabilities	595,281	396,392
LONG-TERM LEASE LIABILITY	3,973	12,453
LONG-TERM DEFERRED REVENUE	<u>70,291</u>	<u>56,417</u>
Total liabilities	669,545	465,262
NET ASSETS (DEFICIT):		
Without donor restrictions	(228,933)	55,392
With donor restrictions		<u>94,966</u>
Total net assets (deficit)	<u>(228,933)</u>	<u>150,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 440,612</u>	<u>\$ 615,620</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
REVENUE AND SUPPORT:				
Value-in-kind (VIK)	\$ 2,282,320	\$	\$ 2,282,320	\$ 1,159,583
Events	2,117,222		2,117,222	1,814,812
USOPC grants	674,243		674,243	810,904
Membership	549,443		549,443	432,079
Grants & contributions	465,935		465,935	449,406
USA Taekwondo University & development revenue	258,017		258,017	260,537
Sponsorship & royalties	141,827		141,827	69,575
Dan office	75,548		75,548	54,055
USOPC media agreement	75,000		75,000	75,000
Other income	10,978		10,978	
Loss on disposal of equipment	(30,196)		(30,196)	
Satisfied program restrictions	94,966	(94,966)		
Total revenue and support	6,715,303	(94,966)	6,620,337	5,125,951
EXPENSES:				
Program services:				
High performance programs	4,198,270		4,198,270	2,598,868
National & international events	1,769,187		1,769,187	1,556,278
Membership services	349,057		349,057	262,550
Media	58,255		58,255	82,171
Total program services	6,374,769		6,374,769	4,499,867
Supporting services:				
General & administrative	624,859		624,859	584,258
Total supporting services	624,859		624,859	584,258
Total expenses	6,999,628		6,999,628	5,084,125
CHANGE IN NET ASSETS	(284,325)	(94,966)	(379,291)	41,826
NET ASSETS, beginning of year	55,392	94,966	150,358	108,532
NET ASSETS, end of year	\$ (228,933)	\$	\$ (228,933)	\$ 150,358

See Notes to Financial Statements

USA TAEKWONDO, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Program Services				Total Program Services
	High Performance Programs	National & International Events	Membership Services	Media	
Athlete support	\$ 192,512	\$	\$	\$	\$ 192,512
Bank charges & merchant fees		5,312	2,564		7,876
Contract services	166,154	364,320	4,850	40,800	576,124
Credit loss expense					
Depreciation					
Dues & subscriptions	7,086	1,959	17,823	289	27,157
Employee benefits	57,415	34,196	17,244	2,378	111,233
Equipment & apparel	35,633	13,877	72		49,582
Event, coach & referee stipends	157,291	125,550	1,374		284,215
Freight & shipping	4,792	88,771			93,563
General & medical supplies	4,565	11,478	678	351	17,072
Information technology		37,370			37,370
Insurance		15,767	108,083	3,498	127,348
Legal & professional fees					
Medals, awards & gifts		36,780	799		37,579
Occupancy - office space	313,179				313,179
Other fees	42,914	21,832	79,287		144,033
Other national team expenses	97,179				97,179
Payroll taxes	35,694	21,191	8,833	698	66,416
Pension expense	6,623	4,231	966	166	11,986
Postage	203	479	1,030		1,712
Printing & copying		85	28		113
Rentals & venue costs	2,862	296,468			299,330
Repairs & maintenance	313				313
Salaries	415,095	259,123	101,318	9,000	784,536
Signage		7,498			7,498
Sports science & medicine	1,765,657				1,765,657
Telephone	2,056	990	1,081	510	4,637
Travel	891,047	421,910	3,027	565	1,316,549
Totals	<u>\$ 4,198,270</u>	<u>\$ 1,769,187</u>	<u>\$ 349,057</u>	<u>\$ 58,255</u>	<u>\$ 6,374,769</u>

<u>Supporting Services</u>			
	<u>General & Administrative</u>	<u>2023 Total Expenses</u>	<u>2022 Total Expenses</u>
Athlete support	\$	\$ 192,512	\$ 173,666
Bank charges & merchant fees	8,387	16,263	16,662
Contract services	1,760	577,884	505,612
Credit loss expense	42,800	42,800	
Depreciation	15,956	15,956	24,630
Dues & subscriptions	7,119	34,276	28,768
Employee benefits	15,217	126,450	113,693
Equipment & apparel	2,395	51,977	22,954
Event, coach & referee stipends		284,215	241,602
Freight & shipping	1,022	94,585	106,280
General & medical supplies	7,940	25,012	38,547
Information technology	137,387	174,757	141,866
Insurance	19,640	146,988	171,030
Legal & professional fees	116,617	116,617	89,066
Medals, awards & gifts	813	38,392	37,303
Occupancy - office space	74,085	387,264	244,360
Other fees	2,866	146,899	98,537
Other national team expenses	20	97,199	20,415
Payroll taxes	6,020	72,436	61,801
Pension expense	1,529	13,515	14,881
Postage	2,569	4,281	2,274
Printing & copying	2,930	3,043	9,394
Rentals & venue costs	1,211	300,541	187,462
Repairs & maintenance	2,520	2,833	4,287
Salaries	77,340	861,876	787,279
Signage		7,498	12,027
Sports science & medicine		1,765,657	847,031
Telephone	5,801	10,438	8,934
Travel	70,915	1,387,464	1,073,764
	<u>\$ 624,859</u>	<u>\$ 6,999,628</u>	<u>\$ 5,084,125</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (379,291)	\$ 41,826
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	15,956	24,630
Loss on disposal of equipment	30,196	
(Increase) decrease in assets:		
Accounts receivable, net	33,841	(6,622)
Due from the USOPC	3,747	(3,747)
Prepaid expenses	(81,938)	(82,107)
Other assets	5,076	
Right-of-use assets	43,773	41,710
Increase (decrease) in liabilities:		
Accounts payable	49,679	(3,762)
Accrued liabilities	5,866	2,882
Due to the USOPC	64,948	(8,403)
Refundable advance		(20,000)
Deferred revenue	130,385	25,254
Lease liability	<u>(46,594)</u>	<u>(42,550)</u>
Net cash used by operating activities	(124,356)	(30,889)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	<u>250</u>	<u> </u>
Net cash provided by investing activities	<u>250</u>	<u> </u>
NET DECREASE IN CASH	(124,106)	(30,889)
CASH AND CASH EQUIVALENTS, beginning of year	<u>306,206</u>	<u>337,095</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 182,100</u>	<u>\$ 306,206</u>

See Notes to Financial Statements

USA TAEKWONDO, INC.
Notes to Financial Statements
For the Year Ended December 31, 2023

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 mission of USA Taekwondo shall be to enable United States athletes to achieve sustained competitive excellence and promote and grow the sport of 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 accounts.

The Corporation maintains its cash and cash equivalents in commercial banks. 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.

Supplemental Cash Flow Information

During the year ended December 31, 2023, the Corporation paid \$3,387 of interest related to \$104,798 of financed insurance policies. The note had been paid in full prior to year-end. During the year ended December 31, 2022, the Corporation paid \$2,114 of interest related to \$113,000 of financed insurance policies. During the years ended December 31, 2023 and 2022, the Corporation did not pay any income taxes.

Accounts Receivable

During the year ended December 31, 2023, the Corporation implemented Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU was issued in June 2016 by the Financial Accounting Standards Board (FASB) and revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. On January 1, 2023, the Corporation adopted the new accounting standard and the related amendments.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

There was no impact of adoption of ASU 2016-13 on the accompanying financial statements. The Corporation does not expect ASU 2016-13 to have a significant impact on its financial condition or results of operations on an ongoing basis.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and includes amounts from contracts with customers, contributions, and other miscellaneous amounts. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Management provides for probable uncollectible amounts through an allowance so that the net amount reflects the amount that management expects to collect. In developing that allowance, management determines statistics for the probability of loss. These statistics are based on the Corporation's historical collection experience, adjusted for management's expectations about current and future economic conditions. The Corporation has recorded an allowance for credit losses in the amount of \$30,000 during the year ended December 31, 2022. The Corporation did not have an allowance for credit losses as of December 31, 2023.

The gross amount of the Corporation's accounts receivable from contracts with customers at the beginning and end of 2023 were \$72,800 and \$12,459, respectively.

Prepaid Expenses and Deferred Charges

Event expenses paid for in a fiscal year prior to the occurrence of a scheduled event or camp 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 10 years. Depreciation expense for the years ended December 31, 2023 and 2022 was \$15,956 and \$24,630, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation - continued

The Corporation suffered flood damage during the year ended December 31, 2023. The Corporation received \$22,011 in proceeds and incurred expenses of \$11,033. The remaining \$10,978 has been recognized as other income in the accompanying statement of activities and changes in net assets.

Compensated Absences

The vacation policy adopted by the Corporation results in no accrual for unused vacation time; therefore, there is no liability recorded in the accompanying financial statements as of December 31, 2023 and 2022.

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 satisfied program restrictions.

Contributions and grants with donor restrictions are reported as support and revenue without donor restrictions if the restriction is met in the same year that the gift is received.

Contributions include United States Olympic & Paralympic Committee (USOPC) grants.

Value-in-kind

During the year ended December 31, 2022, the Corporation adopted Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Value-in-kind - continued

The guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, separate from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets.

The Corporation receives and records various types of value-in-kind (VIK) contributions that support the Corporation's program and supporting services. Value-in-kind received includes in-kind services, sport science and sport medicine support, travel and lodging, donated use of facilities, and other program service support. The Corporation recognizes VIK contribution revenue and a corresponding VIK distribution expense in an amount approximating the respective fair value at the time of the donation. Information on the fair value of VIK contributions is often provided by the respective provider. VIK distribution expense has been allocated to the respective program and supporting services based upon usage in the accompanying statement of functional expenses.

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. VIK services of \$459,375 and \$240,313 were recognized during the years ended December 31, 2023 and 2022, respectively, and are included in the Sport Science and Sports Medicine categories in the table below.

Donated services include specialized support from physicians, physical therapists, athletic trainers, sports nutrition professionals, and sports psychologists that directly enhance the Corporation's program services provided to members. VIK services have been allocated to the Corporation's program service expenses.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Value-in-kind - continued

The Corporation received the following gifts-in-kind during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Sport science	\$ 1,077,750	\$ 538,875
Sports medicine	579,375	300,313
Use of facilities	316,000	158,000
General NGB support	301,000	143,000
Athlete travel & lodging	<u>8,195</u>	<u>19,395</u>
Total	<u>\$ 2,282,320</u>	<u>\$ 1,159,583</u>

The Corporation entered into an agreement with the United States Performance Center (USPC) during the year ended December 31, 2020, that included future use and occupancy of training facilities and administrative offices that are leased by the USPC. These facilities became available to use during the year ended December 31, 2022, and were used throughout 2023. The contributed facilities are provided at no cost to the Corporation and are used for program services.

Based on current market rates, the Corporation recorded \$316,000 and \$158,000 during the years ended December 31, 2023 and 2022, respectively, that represents the usage of the facilities. The Corporation has not entered into a lease or sub-lease agreement for these facilities and has not recorded future anticipated use of the facilities.

Revenue from Contracts with Customers

Events - The Corporation receives revenue from sales related to various national and international events and competitions held for members.

Event registrations are mostly completed online through the Corporation's membership database. The revenue is recognized at the time of the event, which recognizes the completion of the Corporation's performance obligations.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Membership - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership and benefits to its members.

The Corporation currently has membership in the following categories with various fees and services provided: Athlete, Coach, Referee, Supporting, Life, Club, Affiliated Organization, Contributing Organization, and State Association. Membership in the Corporation creates with it certain obligations and duties.

The Board of Directors may establish such membership requirements and dues as the Board shall deem necessary or appropriate. Further, the Board may establish such rules and procedures for the manner and method of payment of dues, the collection of delinquent dues and the proration or refund of dues, as the Board shall deem necessary or appropriate. No privilege of membership shall be available until all membership requirements are satisfied and all dues are paid in full. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Membership dues are nonrefundable.

Sponsorship and Royalties - The Corporation recognizes revenue from contracts with both sponsors and suppliers of USA Taekwondo, Inc. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation will recognize revenue over time. The Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

USA Taekwondo University and Development Revenue - USA Taekwondo University (USATKDU) launched in March 2021 and was developed to teach cutting edge modern methods of sport taekwondo and to prepare athletes for the rigors of international competition and academy life. USATKDU offers five-degree courses of increasing difficulty which have varying price ranges for the services provided. Course bundles are also provided so that Athletes can purchase multiple degree levels at once. The Corporation also provides development camps, seminars and other courses for athletes, coaches, and referees.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

USA Taekwondo University and Development Revenue - continued

The Corporation recognizes USATKDU and development revenue after performance obligations are satisfied at the completion of the respective courses, camps, and seminars.

Dan Office - The Dan Office at USA Taekwondo provides a direct link between the United States and the Kukkiwon office in Korea. The goal of the Dan Office is to provide efficient processing of students Black Belt certificates and to provide a support system with Kukkiwon. The Corporation recognizes the certificate revenue as it is processed.

USOPC Media Agreement - The Corporation also recognizes revenue from contracts with the USOPC. As previously mentioned, USOPC grants are considered contributions by the Corporation. The USOPC media agreement is considered revenue from contracts with customers. See Note C for more information regarding those revenue streams.

Advertising Costs

The Corporation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2022, from which the summarized information was derived.

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

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain costs and expenses, such as payroll and related benefits, 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 June 25, 2024, the date that the financial statements were available to be issued.

Notes to Financial Statements

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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 182,100	\$ 306,206
Accounts receivable, net	15,581	49,422
Due from the USOPC	<u> </u>	<u>3,747</u>
Total financial assets	197,681	359,375
Less amounts not available to be used within one year:		
Donor restricted net assets	<u> </u>	<u>(94,966)</u>
Financial assets available within one year	<u>\$ 197,681</u>	<u>\$ 264,409</u>

C. RELATED PARTY TRANSACTIONS

USOPC provides grants to the Corporation for sports development, international competition and team preparation, administrative services, and support towards various other program services.

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS - Continued

Total grants from the USOPC for the years ended December 31, 2023 and 2022, consist of the following project categories:

	<u>2023</u>	<u>2022</u>
High performance support	\$ 594,100	\$ 548,000
Other grants	65,143	124,404
Paralympic sport development grant	15,000	38,500
International training partners and camps grant	<u> </u>	<u>100,000</u>
Totals	<u>\$ 674,243</u>	<u>\$ 810,904</u>

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

In addition to the grant amounts above, the USOPC made direct athlete support payments of approximately \$165,000 and \$105,000 for the years ended December 31, 2023 and 2022, respectively.

The Corporation owed the USOPC \$110,545 and \$45,597 at December 31, 2023 and 2022, respectively.

In addition to the amounts above, the USOPC provides additional funding in the form of United Airlines and Airbnb VIK. In accordance with Accounting Standards Update (ASU) 2020-07 (Note A), these amounts are included in VIK revenue and as expenses in the statement of activities and changes in net assets. The USOPC provided additional value-in-kind of \$8,195 and \$19,395 during the years ended December 31, 2023 and 2022, respectively.

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. The Corporation signed amended agreements with the USOPC that extended the term of the agreement through December 31, 2022, and an additional amendment that extended the term through December 31, 2023. The Corporation received \$75,000 during each of the years ended December 31, 2023 and 2022, under this agreement.

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS - Continued

The USOPC provides the Corporation with certain office facilities pursuant to a lease that began August 31, 2023. This lease is set to expire on August 31, 2024, with automatic annual renewals unless either party informs the other in writing no less than 60 days prior to the end of the then-current lease term year (Note F). No amount is charged for common areas under this lease.

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, 2023 and 2022, 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, a contract with customers liability, at December 31, 2023 and 2022, consists of the following:

	<u>2023</u>	<u>2022</u>
Athlete membership dues	\$ 166,221	\$ 141,226
Event and camp revenue	128,579	38,001
Life memberships	76,916	61,963
Non-competitor membership dues	<u>121</u>	<u>262</u>
Totals	<u>\$ 371,837</u>	<u>\$ 241,452</u>

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

Notes to Financial Statements

E. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

The Corporation did not have any net assets with donor restrictions as of December 31, 2023. Net assets with donor restrictions - temporary in nature at December 31, 2022, consist of amounts received from the USOPC for specified program services. Net assets with donor restrictions that are temporary in nature are restricted for the following program:

	<u>2023</u>	<u>2022</u>
International training partners and camps grant - USOPC	\$ _____	\$ <u>94,966</u>

Amounts released from restrictions during the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
International training partners and camps grant - USOPC	\$ <u>94,966</u>	\$ <u>5,034</u>

F. LEASES

During the year ended December 31, 2022, the Corporation adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The Corporation has operating leases for office space, and an office copier.

The Corporation assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As the Corporation's leases do not provide an implicit rate, the Corporation has elected to use the risk-free discount rate based on the Treasury bond rate as of the later of the initial date of the lease term in the determination of the respective right-of-use (ROU) assets and liabilities.

In February 2019, the Corporation entered into a lease for office space. The lease commenced on April 1, 2019, and originally expired on April 1, 2024. During the year ended December 31, 2023, this lease was terminated, and the Corporation left the space in August 2023. The Corporation recorded the respective termination and removed the ROU asset and lease liability as of December 31, 2023. Recording the termination of this lease led to a decrease of \$2,821 of current year rent expense.

Notes to Financial Statements

F. LEASES - Continued

The lease required initial base rent payments of \$3,316 per month, with annual increases following an agreed upon and executed schedule in the original signed lease. The Corporation was also subject to pay a monthly estimated pro rata share of real estate taxes and 10% of annually estimated incurred common area maintenance expenses (CAM). Estimated CAM payments were not included in the future minimum payments table below.

As discussed in Note C, the Corporation has leased its office space from the USOPC under an operating lease that commenced August 31, 2023 through August 31, 2024, with automatic annual renewals. As of December 31, 2023, the Corporation has determined that it is reasonably certain to stay in the office space through the automatic renewal commencement, and therefore have recorded the respective ROU asset and lease liability through August 31, 2025, with this expectation.

This lease requires monthly payments of \$494 per month. This lease includes monthly variable lease payments for printing and copy services used on a monthly basis. The lease includes an option to terminate for both the Corporation and the lessor. The option allows the Corporation to terminate the lease without penalty prior to the expiration date, if the Corporation notifies the lessor no less than 60 days from any potential vacate date.

The Corporation has determined that they are not reasonably certain to terminate this lease and therefore have not considered the termination option in the respective ROU asset and liability calculation.

On January 14, 2020, the Corporation entered into a lease for a copier. The lease expires on January 15, 2025. This lease requires payments of \$100 per month throughout the life of the lease.

The Corporation did not have any short-term leases during the years ended December 31, 2023 and 2022.

Notes to Financial Statements

F. LEASES - Continued

Maturities of lease liabilities and the Weighted Averages of discount rates used for the leases recorded on the statement of financial position are as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
2023	\$	\$ 45,701
2024	7,128	12,408
2025	<u>4,052</u>	<u>100</u>
Total lease payments	11,180	58,209
Less: interest	<u>(462)</u>	<u>(896)</u>
Present value of lease liabilities	<u>\$ 10,718</u>	<u>\$ 57,313</u>
	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term	1.60 years	1.28 years
Weighted Average Discount Rate	4.92%	2.28%

The following table represents lease expense for the years ended December 31, 2023 and 2022. Variable costs include those specifically mentioned as part of the lease arrangements outlined above.

	<u>2023</u>	<u>2022</u>
Operating lease rent, included in program service expenses	\$	\$ 29,093
Operating lease rent, included in supporting service expenses	36,469	14,457
Variable payments, included in program service expenses		26,662
Variable payments, included in supporting service expenses	<u>30,337</u>	<u>18,141</u>
Total lease cost	<u>\$ 66,806</u>	<u>\$ 88,353</u>

Supplemental cash flow information for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in measurement of lease liabilities for operating leases	\$ 36,469	\$ 44,390
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 11,266	\$

Notes to Financial Statements

G. PENSION 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 eligible compensation for employees. During the years ended December 31, 2023 and 2022, the Corporation contributed \$13,515 and \$14,881 to the plan, respectively.

H. CONTINGENCIES

From time to time, the Corporation may be named as a party to possible litigation. Management believes that should any claims arise, they will be covered by insurance. No amounts have been recorded in the financial statements related to alleged claims.

I. UNCERTAINTIES

With the rising cost of inflation and potential recession, it is uncertain what effect these factors may have on operations of the Corporation in the coming year.