



**USA TAEKWONDO, INC.**

**Financial Statements**

**For the Year Ended December 31, 2022**

## TABLE OF CONTENTS

|   |   |
|---|---|
| Independent Auditor's Report . . . . .                      | 1 |
| Statement of Financial Position . . . . .                   | 4 |
| Statement of Activities and Changes in Net Assets . . . . . | 5 |
| Statement of Functional Expenses . . . . .                  | 6 |
| Statement of Cash Flows . . . . .                           | 7 |
| Notes to Financial Statements . . . . .                     | 8 |

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, 2022, 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, 2022, 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.

#### **Emphasis of Matter**

As described in Note A to the financial statements, during the year ended December 31, 2022, USA Taekwondo, Inc. adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

#### **Report on Summarized Comparative Information**

We have previously audited USA Taekwondo, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
July 31, 2023

USA TAEKWONDO, INC.  
Statement of Financial Position  
December 31, 2022  
(With Comparative Amounts for December 31, 2021)

|                                     | <u>ASSETS</u>     |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | <u>2022</u>       | <u>2021</u>       |
| CURRENT ASSETS:                     |                   |                   |
| Cash and cash equivalents           | \$ 306,206        | \$ 337,095        |
| Accounts receivable, net            | 57,422            | 44,800            |
| Due from the USOPC                  | 3,747             |                   |
| Prepaid expenses                    | <u>89,832</u>     | <u>13,725</u>     |
| Total current assets                | 457,207           | 395,620           |
| OTHER ASSETS - SECURITY DEPOSIT     | 5,576             | 5,576             |
| RIGHT-OF-USE ASSETS                 | 54,491            | 96,201            |
| FURNITURE AND EQUIPMENT:            |                   |                   |
| Athletic equipment                  | 136,077           | 136,077           |
| Leasehold improvements              | 38,260            | 38,260            |
| Office furniture and equipment      | 56,305            | 56,305            |
| Transportation equipment            | 14,285            | 14,285            |
| Less accumulated depreciation       | <u>(146,581)</u>  | <u>(121,951)</u>  |
| Furniture and equipment - net       | <u>98,346</u>     | <u>122,976</u>    |
| TOTAL ASSETS                        | <u>\$ 615,620</u> | <u>\$ 620,373</u> |
| <u>LIABILITIES AND NET ASSETS</u>   |                   |                   |
| CURRENT LIABILITIES:                |                   |                   |
| Accounts payable                    | \$ 90,864         | \$ 94,626         |
| Accrued liabilities                 | 30,036            | 27,154            |
| Due to the USOPC                    | 45,597            | 54,000            |
| Refundable advance                  |                   | 20,000            |
| Lease liability                     | 44,860            | 42,550            |
| Current portion of deferred revenue | <u>185,035</u>    | <u>167,326</u>    |
| Total current liabilities           | 396,392           | 405,656           |
| LEASE LIABILITY                     | 12,453            | 57,313            |
| LONG-TERM DEFERRED REVENUE          | <u>56,417</u>     | <u>48,872</u>     |
| Total liabilities                   | 465,262           | 511,841           |
| NET ASSETS:                         |                   |                   |
| Without donor restrictions          | 55,392            | 108,532           |
| With donor restrictions             | <u>94,966</u>     | <u>          </u> |
| Total net assets                    | <u>150,358</u>    | <u>108,532</u>    |
| TOTAL LIABILITIES AND NET ASSETS    | <u>\$ 615,620</u> | <u>\$ 620,373</u> |

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Totals | 2021<br>Totals |
|---|-------------------------------|----------------------------|----------------|----------------|
| <b>REVENUE AND SUPPORT:</b>                       |                               |                            |                |                |
| Events  | \$ 1,814,812                  | \$                         | \$ 1,814,812   | \$ 1,236,681   |
| Value-in-kind (VIK)                               | 1,159,583                     |                            | 1,159,583      | 16,771         |
| USOPC grants                                      | 710,904                       | 100,000                    | 810,904        | 711,250        |
| Grants & contributions                            | 449,406                       |                            | 449,406        | 15,018         |
| Membership  | 432,079                       |                            | 432,079        | 310,613        |
| USA Taekwondo University &<br>development revenue | 260,537                       |                            | 260,537        | 217,045        |
| USOPC media agreement                             | 75,000                        |                            | 75,000         | 75,000         |
| Sponsorship & royalties                           | 69,575                        |                            | 69,575         | 1,809          |
| Dan office  | 54,055                        |                            | 54,055         | 46,360         |
| Satisfied program restrictions                    | 5,034                         | (5,034)                    |                |                |
| Total revenue and support                         | 5,030,985                     | 94,966                     | 5,125,951      | 2,630,547      |
| <b>EXPENSES:</b>                                  |                               |                            |                |                |
| Program services:                                 |                               |                            |                |                |
| High performance programs                         | 2,598,868                     |                            | 2,598,868      | 1,012,037      |
| National & international events                   | 1,556,278                     |                            | 1,556,278      | 894,966        |
| Membership services                               | 262,550                       |                            | 262,550        | 214,192        |
| Media   | 82,171                        |                            | 82,171         | 78,018         |
| Total program services                            | 4,499,867                     |                            | 4,499,867      | 2,199,213      |
| Supporting services:                              |                               |                            |                |                |
| General & administrative                          | 584,258                       |                            | 584,258        | 425,120        |
| Total supporting services                         | 584,258                       |                            | 584,258        | 425,120        |
| Total expenses                                    | 5,084,125                     |                            | 5,084,125      | 2,624,333      |
| CHANGE IN NET ASSETS                              | (53,140)                      | 94,966                     | 41,826         | 6,214          |
| NET ASSETS, beginning of year                     | 108,532                       |                            | 108,532        | 102,318        |
| NET ASSETS, end of year                           | \$ 55,392                     | \$ 94,966                  | \$ 150,358     | \$ 108,532     |

See Notes to Financial Statements

USA TAEKWONDO, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

|                             | Program Services                |                                       |                        |                  |                           |
|-----------------------------|---------------------------------|---------------------------------------|------------------------|------------------|---------------------------|
|                             | High<br>Performance<br>Programs | National &<br>International<br>Events | Membership<br>Services | Media            | Total Program<br>Services |
| Airline travel              | \$ 316,659                      | \$ 83,097                             | \$ 753                 | \$ 2,691         | \$ 403,200                |
| Bad debt expense            |                                 |                                       |                        |                  |                           |
| Contract services           | 451,654                         | 412,125                               | 7,660                  | 43,516           | 914,955                   |
| Depreciation                |                                 |                                       |                        |                  |                           |
| Dues & subscriptions        | 4,623                           | 694                                   | 16,848                 | 286              | 22,451                    |
| Employee benefits           | 43,012                          | 32,514                                | 5,004                  | 4,453            | 84,983                    |
| Equipment & apparel         | 13,834                          | 7,409                                 |                        |                  | 21,243                    |
| Fees                        | 311,554                         | 99,346                                | 30,670                 | 605              | 442,175                   |
| Food & beverage             | 2,755                           | 2,614                                 |                        |                  | 5,369                     |
| Freight & shipping          | 927                             | 105,180                               | 173                    |                  | 106,280                   |
| General & medical supplies  | 11,135                          | 20,731                                |                        |                  | 31,866                    |
| Ground travel               | 19,186                          | 17,935                                | 174                    | 559              | 37,854                    |
| Information technology      |                                 |                                       |                        |                  |                           |
| Insurance                   |                                 |                                       | 149,276                | 3,497            | 152,773                   |
| Legal fees                  |                                 |                                       |                        |                  |                           |
| Meal allowance              | 23,039                          | 60,313                                | 138                    |                  | 83,490                    |
| Medals, awards & gifts      | 18,596                          | 18,707                                |                        |                  | 37,303                    |
| Occupancy - office space    | 213,755                         |                                       |                        |                  | 213,755                   |
| Payroll taxes               | 27,347                          | 15,990                                | 3,287                  | 875              | 47,499                    |
| Pension expense             | 6,651                           | 4,270                                 | 729                    | 231              | 11,881                    |
| Physical fitness & training | 567,133                         |                                       |                        |                  | 567,133                   |
| Postage                     | 190                             | 52                                    | 140                    |                  | 382                       |
| Printing & copying          | 3,423                           | 3,978                                 |                        |                  | 7,401                     |
| Rentals & venue costs       | 4,974                           | 174,297                               |                        |                  | 179,271                   |
| Repairs & maintenance       |                                 |                                       |                        |                  |                           |
| Rooms & lodging             | 191,911                         | 277,744                               | 1,176                  | 13,425           | 484,256                   |
| Salaries                    | 365,931                         | 206,294                               | 45,971                 | 11,538           | 629,734                   |
| Signage                     |                                 | 12,027                                |                        |                  | 12,027                    |
| Telephone                   | 334                             | 961                                   | 551                    | 495              | 2,341                     |
| Visa & travel services      | 245                             |                                       |                        |                  | 245                       |
| Totals                      | <u>\$ 2,598,868</u>             | <u>\$ 1,556,278</u>                   | <u>\$ 262,550</u>      | <u>\$ 82,171</u> | <u>\$ 4,499,867</u>       |

|                             | <u>Supporting Services</u>  |                           |                           |
|-----------------------------|-----------------------------|---------------------------|---------------------------|
|                             | General &<br>Administrative | 2022<br>Total<br>Expenses | 2021<br>Total<br>Expenses |
| Airline travel              | \$ 38,566                   | \$ 441,766                | \$ 216,762                |
| Bad debt expense            |                             |                           | 30,000                    |
| Contract services           | 289                         | 915,244                   | 249,282                   |
| Depreciation                | 24,630                      | 24,630                    | 23,397                    |
| Dues & subscriptions        | 8,039                       | 30,490                    | 31,116                    |
| Employee benefits           | 28,710                      | 113,693                   | 86,354                    |
| Equipment & apparel         | 1,711                       | 22,954                    | 33,183                    |
| Fees                        | 138,410                     | 580,585                   | 427,234                   |
| Food & beverage             | 7,784                       | 13,153                    | 16,368                    |
| Freight & shipping          |                             | 106,280                   | 33,988                    |
| General & medical supplies  | 6,681                       | 38,547                    | 54,082                    |
| Ground travel               | 3,568                       | 41,422                    | 19,969                    |
| Information technology      | 3,954                       | 3,954                     | 2,763                     |
| Insurance                   | 18,257                      | 171,030                   | 132,080                   |
| Legal fees                  | 66,048                      | 66,048                    | 25,230                    |
| Meal allowance              | 1,845                       | 85,335                    | 59,189                    |
| Medals, awards & gifts      |                             | 37,303                    | 82                        |
| Occupancy - office space    | 30,605                      | 244,360                   | 79,548                    |
| Payroll taxes               | 14,302                      | 61,801                    | 51,039                    |
| Pension expense             | 3,000                       | 14,881                    | 12,655                    |
| Physical fitness & training |                             | 567,133                   | 11,173                    |
| Postage                     | 1,892                       | 2,274                     | 10,577                    |
| Printing & copying          | 1,993                       | 9,394                     | 3,303                     |
| Rentals & venue costs       | 8,191                       | 187,462                   | 40,387                    |
| Repairs & maintenance       | 4,287                       | 4,287                     | 4,132                     |
| Rooms & lodging             | 7,298                       | 491,554                   | 308,546                   |
| Salaries                    | 157,545                     | 787,279                   | 652,769                   |
| Signage                     |                             | 12,027                    |                           |
| Telephone                   | 6,593                       | 8,934                     | 7,821                     |
| Visa & travel services      | 60                          | 305                       | 1,304                     |
|                             | <u>\$ 584,258</u>           | <u>\$ 5,084,125</u>       | <u>\$ 2,624,333</u>       |

See Notes to Financial Statements



USA TAEKWONDO, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2022

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 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.

Supplemental Cash Flow Information

During the year ended December 31, 2022 the Corporation paid \$2,114 of interest related to \$113,000 of financed insurance policies. The note had been paid in full prior to year-end. The Corporation did not pay any interest during the year ended December 31, 2021. During the years ended December 31, 2022 and 2021, the Corporation did not pay any income taxes.

Accounts Receivable

Accounts receivable include amounts from contracts with customers, contributions, and other miscellaneous amounts. They are stated at the amount management expects to collect from balances outstanding at year-end. Gross receivables from contracts with customers at the beginning and end of 2022 were \$72, 800 and \$72,800, respectively.

Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, the Corporation has concluded that an allowance for doubtful accounts in the amount of \$30,000 is necessary for the years ending December 31, 2022 and 2021.

## Notes to Financial Statements

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

#### Inventory

The Corporation does not have any inventory as of the years ended December 31, 2022 and 2021.

#### 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 ten years. Depreciation expense for the years ended December 31, 2022 and 2021 was \$24,630 and \$23,397, respectively.

#### 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, 2022 and 2021.

#### 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.

## Notes to Financial Statements

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

#### Contributions - continued

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*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

The Corporation received and records various types of value-in-kind (VIK) contributions that supported 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 value-in-kind 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. Value-in-kind services of \$240,313 were recognized during the year ended December 31, 2022, and are included in the Sport Science and Sports Medicine categories in the table below.

## Notes to Financial Statements

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

#### Value-in-kind - continued

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. Value-in-kind services have all been allocated to the Corporation's program service expenses. No donated services have been recorded for the year ended December 31, 2021.

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.

The Corporation received the following gifts-in-kind during the years ended December 31, 2022 and 2021:

|                          | <u>2022</u>         | <u>2021</u>      |
|--------------------------|---------------------|------------------|
| Sport science            | \$ 538,875          | \$               |
| Sports medicine          | 300,313             |                  |
| Use of facilities        | 158,000             |                  |
| General NGB support      | 143,000             |                  |
| Athlete travel & lodging | <u>19,395</u>       | <u>16,771</u>    |
| Total                    | <u>\$ 1,159,583</u> | <u>\$ 16,771</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 are provided at no cost to the Corporation. The contributed facilities are used for program services.

Based on current market rates, the Corporation recorded \$158,000 during the year ended December 31, 2022, that represents the current year 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.

## Notes to Financial Statements

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

#### New Accounting Standards Update - Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

During the year ended December 31, 2022, the Corporation adopted the standards using the modified retrospective approach with January 1, 2022, as the date of initial adoption. The Corporation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Corporation to carry forward the historical lease classification. In addition, the Corporation elected the practical expedient to use hindsight in determining the lease term for existing leases.

The adoption had a material impact on the Corporation's statement of financial position but did not have a material impact on the statement of activities. Adoption of the standard required the Corporation to restate amounts at December 31, 2021, resulting in an increase in operating lease ROU assets of \$96,201, an increase in operating lease liabilities of \$99,863, and an increase in rent expense of \$426. The difference between the lease assets and lease liabilities reduced beginning net assets without donor restrictions by \$3,662.

#### 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 payments 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, 2021, 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 program 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 July 31, 2023, 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, 2022 and 2021.

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| Financial assets at year-end:                          |                   |                   |
| Cash and cash equivalents                              | \$ 306,206        | \$ 337,095        |
| Accounts receivable, net                               | 57,422            | 44,800            |
| Due from the USOPC                                     | <u>3,747</u>      | <u>          </u> |
| Total financial assets                                 | 367,375           | 381,895           |
| Less amounts not available to be used within one year: |                   |                   |
| Donor restricted net assets                            | <u>(94,966)</u>   | <u>          </u> |
| Financial assets available within one year             | <u>\$ 272,409</u> | <u>\$ 381,895</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, 2022 and 2021, consist of the following project categories:

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| High performance support                           | \$ 548,000        | \$ 484,000        |
| Other grants                                       | 124,404           | 69,694            |
| International training partners<br>and camps grant | 100,000           |                   |
| Paralympic sport development grant                 | 38,500            | 20,000            |
| Sport performance special grants                   |                   | 97,141            |
| COVID-19 support grant                             |                   | 40,415            |
| Totals   | <u>\$ 810,904</u> | <u>\$ 711,250</u> |

In addition to the grant amounts above, the USOPC made direct athlete support payments of approximately \$105,000 and \$153,000 for the years ended December 31, 2022 and 2021, respectively.

The Corporation owed the USOPC \$45,597 and \$54,000 at December 31, 2022 and 2021, respectively. The USOPC owed the Corporation \$3,747 at December 31, 2022. There were no outstanding amounts due from the USOPC at December 31, 2021.

In addition to the amounts above, the USOPC provides additional funding in the form of United Airlines and AirBnB value-in-kind. In accordance with Accounting Standards Update (ASU) 2020-07 (Note A), these amounts are included in value-in-kind (VIK) revenue and as expenses in the statement of activities and changes in net assets. The USOPC provided additional value-in-kind of \$19,395 and \$16,771 during the years ended December 31, 2022 and 2021, respectively.

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

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 an amended agreement with the USOPC that extends the term of the agreement through December 31, 2021, and an additional amendment that extends the term through December 31, 2022. The Corporation received \$75,000 during each of the years ended December 31, 2022 and 2021 under this agreement.

Notes to Financial Statements

C. 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, 2022 and 2021, 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, 2022 and 2021, consists of the following:

|                                | <u>2022</u>       | <u>2021</u>       |
|--------------------------------|-------------------|-------------------|
| Athlete membership dues        | \$ 141,226        | \$ 119,253        |
| Life memberships               | 61,963            | 53,730            |
| Event and camp revenue         | 38,001            | 42,765            |
| Non-competitor membership dues | <u>262</u>        | <u>450</u>        |
| Totals                         | <u>\$ 241,452</u> | <u>\$ 216,198</u> |

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

E. REFUNDABLE ADVANCE

The Corporation classified amounts received subject to donor-imposed conditions that qualified as barriers as refundable advances at December 31, 2022 and 2021. This has no effect on the net assets of the Corporation. As the Corporation satisfies the barriers and conditions set forth in the grant contracts, revenue will be recognized accordingly.

Refundable advances consist of the following at December 31, 2022 and 2021:

|                      | <u>2022</u> | <u>2021</u>      |
|----------------------|-------------|------------------|
| USOPC special grants | <u>\$</u>   | <u>\$ 20,000</u> |

Notes to Financial Statements

F. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at December 31, 2022 consist of amounts received from the USOPC for specified program services. The Corporation did not have any net assets with donor restrictions as of December 31, 2021.

Net assets with donor restrictions that are temporary in nature are restricted for the following program:

|  | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| International training partners<br>and camps grant - USOPC | \$ 94,966   | \$ _____    |

Amounts released from restrictions during the years ended December 31, 2022 and 2021 were as follows:

|  | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| International training partners<br>and camps grant - USOPC | \$ 5,034    | \$ _____    |

G. 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 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 expires on April 1, 2024. The lease does not contain any extension option, and termination options are available upon condemnation/eminent domain, lessee default, or other events as agreed upon in the original lease. The respective right-of-use asset and liability does not include any amounts related to the termination options.

Notes to Financial Statements

G. LEASES - Continued

The lease requires 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 must also 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 are not included in the future minimum payments table below.

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, 2022 and 2021.

Maturities of lease liabilities, and the Weighted Averages for the leases recorded on the Statement of Financial Position are as follows as of December 31, 2022 and 2021:

|                                    | <u>2022</u>      | <u>2021</u>      |
|------------------------------------|------------------|------------------|
| 2022                               | \$               | \$ 44,390        |
| 2023                               | 45,701           | 45,701           |
| 2024                               | 12,408           | 12,408           |
| 2025                               | <u>100</u>       | <u>100</u>       |
| Total lease payments               | 58,209           | 102,599          |
| Less: interest                     | <u>(896)</u>     | <u>(2,736)</u>   |
| Present value of lease liabilities | <u>\$ 57,313</u> | <u>\$ 99,863</u> |

|                                       | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------|-------------|
| Weighted Average Remaining Lease Term | 1.28 years  | 2.28 years  |
| Weighted Average Discount Rate        | 2.28%       | 2.29%       |

## Notes to Financial Statements

### G. LEASES - Continued

The following table represents lease expense for the years ended December 31, 2022 and 2021. Variable cost includes those specifically mentioned as part of lease arrangements outlined above.

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
| Operating lease rent, included in program service expenses    | \$ 29,093        | \$ 29,913        |
| Operating lease rent, included in supporting service expenses | 14,457           | 13,641           |
| Variable payments, included in program service expenses       | 26,662           | 23,311           |
| Variable payments, included in supporting service expenses    | <u>18,141</u>    | <u>14,671</u>    |
| Total lease cost  | <u>\$ 88,353</u> | <u>\$ 81,536</u> |

Supplemental cash flow information for the years ended December 31, 2022 and 2021:

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Cash paid for amounts included in measurement of lease liabilities for operating leases | \$ 44,390   | \$ 43,128   |

### H. 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 compensation for employees. During the years ended December 31, 2022 and 2021, the Corporation contributed \$14,881 and \$12,655 to the plan, respectively.

### I. 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.

## Notes to Financial Statements

### J. UNCERTAINTIES

The outbreak of a novel strain of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions including, but not limited to, uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations, and job losses. The extent to which the COVID-19 outbreak will continue to affect the operations, collections or financial results of the Corporation is uncertain.

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