

**USA BADMINTON**  
**Financial Statements &**  
**Supplemental Schedules**  
**For the Year Ended December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
USA Badminton  
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Badminton (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

We were unable to obtain sufficient appropriate evidence to verify the accuracy of income and expenses from tournament related activities, as further discussed in Note I. Consequently, we were unable to determine whether additional adjustments to those amount were necessary.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of USA Badminton as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We have previously audited the USA Badminton's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and supporting services are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
October 11, 2016

USA BADMINTON  
Statement of Financial Position  
December 31, 2015  
(With Comparative Amounts for 2014)

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 99,098	\$ 105,492
Accounts receivable, net	20,580	1,743
Prepaid expenses	<u>2,898</u>	<u>2,263</u>
Total current assets	122,576	109,498
INVESTMENTS	422	449
FURNITURE AND EQUIPMENT, at cost:		
Office furniture and equipment	19,592	19,592
Perpetual trophies	34,336	34,336
Less accumulated depreciation	<u>(51,661)</u>	<u>(50,002)</u>
Furniture and equipment, net	2,267	3,926
TOTAL ASSETS	<u>\$ 125,265</u>	<u>\$ 113,873</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,003	\$ 1,818
Due to USOC	1,416	2,494
Accrued liabilities	17,548	15,237
Current portion of deferred revenue	<u>40,837</u>	<u>38,918</u>
Total current liabilities	67,804	58,467
LONG-TERM LIABILITIES:		
Deferred revenue	<u>10,288</u>	<u>11,417</u>
Total liabilities	78,092	69,884
NET ASSETS:		
Unrestricted	43,694	42,510
Temporarily restricted	<u>3,479</u>	<u>1,479</u>
Total net assets	<u>47,173</u>	<u>43,989</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 125,265</u>	<u>\$ 113,873</u>

See Notes to Financial Statements

USA BADMINTON  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Totals	2014 Totals
<b>REVENUE:</b>				
Contributions	\$ 107,276	\$ 2,000	\$ 109,276	\$ 112,376
Membership dues	98,892		98,892	96,767
USOC grants and VIK support	60,025		60,025	116,061
Tournament/coaching fees	51,395		51,395	20,997
USOC media/marketing agreement	50,000		50,000	52,500
Junior registration fees	31,596		31,596	17,690
Technical official fees	22,437		22,437	5,115
Insurance proceeds	13,799		13,799	
National bid fees	9,500		9,500	11,500
Sanction fees	9,450		9,450	10,990
Miscellaneous	8,828		8,828	4,170
Royalties	7,036		7,036	9,770
Para-badminton income	2,558		2,558	
Investment income	240		240	296
Retail sales	49		49	8
Less cost of goods sold	(181)		(181)	(30)
<b>Total revenue</b>	<b>472,900</b>	<b>2,000</b>	<b>474,900</b>	<b>458,210</b>
<b>EXPENSES:</b>				
Program services:				
Elite athletes & coaching	232,020		232,020	232,394
Athlete development	73,290		73,290	66,758
Membership	57,631		57,631	60,687
Para-badminton	1,988		1,988	
<b>Total program services</b>	<b>364,929</b>		<b>364,929</b>	<b>359,839</b>
Supporting services:				
National office	88,613		88,613	90,964
Board of directors	18,174		18,174	4,984
<b>Total supporting services</b>	<b>106,787</b>		<b>106,787</b>	<b>95,948</b>
<b>Total expenses</b>	<b>471,716</b>		<b>471,716</b>	<b>455,787</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,184</b>	<b>2,000</b>	<b>3,184</b>	<b>2,423</b>
<b>NET ASSETS, beginning of year</b>	<b>42,510</b>	<b>1,479</b>	<b>43,989</b>	<b>41,566</b>
<b>NET ASSETS, end of year</b>	<b>\$ 43,694</b>	<b>\$ 3,479</b>	<b>\$ 47,173</b>	<b>\$ 43,989</b>

See Notes to Financial Statements



USA BADMINTON  
Notes to Financial Statements  
For the Year Ended December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Badminton (the Corporation) is the national governing body for the sport of badminton, making it responsible for the promotion and development of the sport in the United States.

Effective January 1, 2003, the Corporation incorporated in the state of Colorado under the name USA Badminton.

Income Taxes

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 filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Corporation's checking and money market accounts.

Accounts Receivable

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year-end. Based on the Corporation's experience with individuals and entities having outstanding balances, it has concluded that an allowance for doubtful accounts of \$500 is necessary for each of the years ended December 31, 2015 and 2014.

Depreciation

Items with greater than one year useful life and costs greater than \$1,000 are capitalized. Assets are recorded at cost or fair market value if donated and depreciated using the straight-line method over estimated useful lives of five to

## Notes to Financial Statements

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

#### Depreciation - continued

seven years. Depreciation expense for the years ended December 31, 2015 and 2014, was \$1,659 and \$2,409, respectively.

#### 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. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Donated Services

Inasmuch as an objective basis is not available to measure the value of donated services, none have been included in the accompanying statements; however, a substantial number of volunteers have donated time to the Corporation.

#### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Functional Allocation of Expenses

Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary and related expenses.

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 11, 2016, the date that the financial statements were available to be issued.

## Notes to Financial Statements

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

#### Compensated Absences

Employees of the Corporation earn a vested right to compensation for unused vacation. Accordingly, an accrual has been made for vacation compensation that employees have earned but not yet taken.

#### Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. 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, 2014, from which the summarized information was derived.

### B. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2015 and 2014:

Assets at Fair Value as of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ <u>422</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>422</u>

Assets at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ <u>449</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>449</u>

Investment income consists of the following components for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 267	\$ 240
Unrealized gain (loss) on securities	<u>(27)</u>	<u>56</u>
	\$ <u>240</u>	\$ <u>296</u>

C. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
World University Games	\$ 2,000	\$
Walk of Fame	<u>1,479</u>	<u>1,479</u>
	\$ <u>3,479</u>	\$ <u>1,479</u>

Notes to Financial Statements

C. TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2015 and 2014, net assets were released from restrictions by satisfying the following purposes:

	<u>2015</u>	<u>2014</u>
Coaching	\$	\$ 4,375
World University Games		2,650
Walk of Fame		593
Camps		532
Officials		105
Juniors		30
	<u>\$</u>	<u>\$ 8,285</u>

D. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Grants and other support provided during the years ended December 31, 2015 and 2014 consisted of the following project categories:

	<u>2015</u>	<u>2014</u>
Challenge grant	\$ 25,571	\$ 29,429
Media support	17,497	8,200
Value-in-kind	10,957	11,432
Additional funding	6,000	20,000
NGB funding		47,000
	<u>\$ 60,025</u>	<u>\$ 116,061</u>

In August 2012, the Corporation entered into a digital media agreement with the USOC. The term of the agreement is January 1, 2013 through December 31, 2016. The Corporation received \$50,000 and \$52,500 in digital media fees for the years ended December 31, 2015 and 2014, respectively.

The USOC provides the Corporation with a portion of its current office facilities at no cost, which has been valued at \$4,031 and \$3,819 for the years ended December 31, 2015 and 2014, respectively.

Excluding value-in-kind, rent paid to the USOC for the years ended December 31, 2015 and 2014, amounted to \$10,494 and \$9,942, respectively.

Notes to Financial Statements

D. RELATED PARTY TRANSACTIONS - Continued

At December 31, 2015 and 2014, the Corporation owed \$1,416 and \$2,494, respectively, to the USOC.

E. DEFERRED REVENUE

Membership dues received for one-year memberships are deferred and recognized as revenue over the corresponding period of the membership. Dues for life memberships are deferred and recognized as revenue over a 20 year period. The Corporation recognizes bid fees as revenue when earned. Deferred revenue consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Regular memberships	\$ 23,101	\$ 34,735
Bid fees, sanctions, and tournament income	15,500	2,000
Lifetime memberships	<u>12,524</u>	<u>13,600</u>
	<u>\$ 51,125</u>	<u>\$ 50,335</u>

F. OPERATING LEASES

During the year ended December 31, 2010, the Corporation entered into a lease agreement for office space with the USOC commencing May 1, 2010, and expiring April 30, 2015. The Corporation has 1,657 square feet of usable office space and 1,273 square feet of common space. The lease terms required \$6 a square foot for the office space and \$3 a square foot for the common space. The Corporation did not pay for the use of the common space under this lease.

During the year ended December 31, 2015, the Corporation renewed its lease agreement for office space, commencing May 1, 2015, and expiring April 30, 2020. The lease terms require \$6.50 a square foot for the office space and \$3.25 a square foot for the common space. The Corporation does not pay for the use of the common space, and has recorded value-in-kind in the amount of \$4,031 for use of this common space.

Future minimum lease payments for the years ended December 31 under these lease agreements are as follows:

2016	\$ 10,771
2017	10,771
2018	10,771
2019	10,771
2020	3,590

## Notes to Financial Statements

### G. RETIREMENT PLAN

The Corporation established a salary reduction retirement plan for its employees in January, 2004, pursuant to Section 403(b) of the Internal Revenue Code. USA Badminton does not match voluntary contributions of its employees.

### H. EMPLOYMENT CONTRACT

In March 2012, the Corporation entered into a three-year employment agreement with its Chief Executive Officer. Under the terms of the agreement, if the employee is terminated for any reason other than gross misconduct, the Corporation will make a severance payment equal to one month's salary for each year of employment. During the year ended December 31, 2015, the Chief Executive Officer's employment agreement expired and was not renewed.

### I. TOURNAMENT RELATED INCOME AND EXPENSE

During the year ended December 31, 2015, the Corporation switched systems for tracking and collecting membership income and tournament activity. Part of this system identifies entry fees that are collected on behalf of the local tournament organizers. Due to the system changes in the reporting and collection of tournament organizer fees, these entry fees were reported as gross tournament related income and expense. Management later determined that these amounts did not represent revenue and expense to the Corporation and attempted to reverse the gross effects of these amounts in the financial statements. However, management was not able to reconcile the gross revenue recorded for these entry fees to the gross expense recorded. Therefore, management cannot verify that the ending balances of tournament related income and expense are accurate. Tournament related income includes Tournaments/coaching fees, Junior registrations, and Technical official fees. Tournament related expenses are reported in Elite athletes and coaching and Athlete development functional expense categories.

USA BADMINTON  
 Schedule of Program Services  
 For the Year Ended December 31, 2015

	Elite Athletes & Coaching	Athlete Development	Membership	Para-badminton	Total Program Services
Coaching & officials certifications	\$ 26,144	\$ 1,072		\$	\$ 27,216
Events	39,231	26,159			65,390
Small equipment				777	777
Insurance	244				16,949
Membership services			16,705		11,413
Salaries, benefits & payroll taxes	148,692	41,078	29,408		219,178
Sanction refund & regional rebates	500				500
Shipping, phones, supplies	832		105		937
Travel, lodging & meals	16,377	4,981		1,211	22,569
	<u>\$ 232,020</u>	<u>\$ 73,290</u>	<u>\$ 57,631</u>	<u>\$ 1,988</u>	<u>\$ 364,929</u>

USA BADMINTON

Schedule of Supporting Services

For the Year Ended December 31, 2015

	National Office	Board of Directors	Total Supporting Services
Accounting fees	\$ 6,625	\$	\$ 6,625
Administrative		4,655	4,655
Awards & trophies	13,914		13,914
Conferences & meetings		2,775	2,775
Depreciation	1,659		1,659
Dues & publications	6,630		6,630
Employee benefits	2,953		2,953
Equipment	16		16
Events	2,572		2,572
Insurance	7,073	3,148	10,221
Legal fees	105		105
Media & public relations	10,152		10,152
Miscellaneous	4,106	7,588	11,694
Office supplies	2,346		2,346
Printing	76		76
Rent	14,525		14,525
Repairs & maintenance	3,754		3,754
Salaries & payroll taxes	5,099		5,099
Shipping & postage	866		866
Telephone	66	8	74
Travel	1,210		1,210
Web development	4,866		4,866
	<u>\$ 88,613</u>	<u>\$ 18,174</u>	<u>\$ 106,787</u>