

USA BADMINTON

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2019**

With Independent Auditors' Report Thereon

**USA BADMINTON
INDEX TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-12



whaley hammonds tomasello, p.c.
CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
USA Badminton
Anaheim, California

We have audited the accompanying financial statements of USA Badminton (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Badminton as of December 31, 2019, 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.



January 15, 2021

USA BADMINTON
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Assets

Current assets:

Cash	\$ 376,677
Accounts receivable	29,870
Prepaid expenses	11,778

Total current assets	418,325
-----------------------------	----------------

Property and equipment, net	12,909
------------------------------------	---------------

Total assets	\$ 431,234
---------------------	-------------------

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 14,454
Accrued expenses	7,041
Accrued pass-through host fees	125,906
Deferred revenue - current	81,891
Due to related party	870

Total current liabilities	230,162
----------------------------------	----------------

Long-term liabilities:

Deferred revenue - long-term	5,860
------------------------------	-------

Total long-term liabilities	5,860
------------------------------------	--------------

Total liabilities	236,022
--------------------------	----------------

Net assets:

Without donor restrictions	195,212
----------------------------	---------

Total net assets	195,212
-------------------------	----------------

Total liabilities and net assets	\$ 431,234
---	-------------------

The accompanying notes are an integral part of this financial statement.

**USA BADMINTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in net assets without donor restrictions

Revenues:

Tournament income	\$ 511,749
Grants	173,715
Membership	108,441
Host fees for Junior Nationals	98,480
Sponsorships	84,224
Contributions	<u>22,827</u>
Total revenues	<u>999,436</u>

Expenses:

Program	761,175
Supporting services	<u>247,228</u>
Total expenses	<u>1,008,403</u>

Other income:

Interest income	<u>187</u>
Total other income	<u>187</u>

Net change in net assets without donor restrictions	(8,780)
Net assets, beginning of year	<u>203,992</u>
Net assets, end of year	<u><u>\$ 195,212</u></u>

The accompanying notes are an integral part of this financial statement.

USA BADMINTON
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program activities</u>	<u>Supporting activities/ Management and general</u>	<u>Total</u>
Expenses:			
Salaries and wages	\$ 154,482	\$ 88,937	\$ 243,419
Travel	149,446	2,195	151,641
US Open expenses	115,746	-	115,746
Rent and lease expense	86,277	3,898	90,175
Bank and merchant fees	47,264	27,211	74,475
Televising	52,919	-	52,919
Advertising and promotion	30,970	17,830	48,800
Professional fees: accounting	-	47,499	47,499
Junior Nationals expenses	35,780	-	35,780
Professional fees: legal	-	30,456	30,456
Special program expenses	28,693	-	28,693
Payroll taxes	14,373	8,275	22,648
Contract labor	7,274	4,187	11,461
Insurance	6,666	3,838	10,504
Tournament expenses	9,863	-	9,863
Employee benefits	5,517	3,177	8,694
High performance	8,262	-	8,262
Office expenses	-	6,009	6,009
BWF expenses	5,256	-	5,256
Other operating expenses	2,387	1,374	3,761
Depreciation	-	2,342	2,342
Total expenses	<u><u>\$ 761,175</u></u>	<u><u>\$ 247,228</u></u>	<u><u>\$ 1,008,403</u></u>

The accompanying notes are an integral part of this financial statement.

USA BADMINTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Cash received from members and others	\$ 885,754
Cash paid to suppliers and employees	(1,011,462)
Interest received	187
	<u>187</u>
Net cash used in operating activities	(125,521)
Cash flows from investing activities:	
Purchase of equipment	(9,379)
Proceeds from sale of investment	177
	<u>177</u>
Net cash used in investing activities	(9,202)
Net decrease in cash	(134,723)
Cash, beginning of year	511,400
	<u>511,400</u>
Cash, end of year	\$ 376,677
	<u>376,677</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Net change in net assets without donor restrictions	\$ (8,780)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,342
(Increase) decrease in assets:	
Accounts receivable	(23,273)
Prepaid insurance	(3,442)
Due from related party	20,190
Increase (decrease) in liabilities:	
Accounts payable	(5,142)
Accrued expenses	(52,155)
Accrued pass-through host fees	35,148
Deferred revenue	32,856
Due to related party	(123,265)
	<u>(123,265)</u>
Net cash used in operating activities	\$ (125,521)
	<u>(125,521)</u>

The accompanying notes are an integral part of this financial statement.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

Nature of Activities

USA Badminton (the "Organization") is the national governing body for the sport of badminton in the United States. The Organization is responsible for the promotion and development of the sport in the United States. The Organization incorporated in the state of Colorado in 2003.

Cash

Cash includes bank deposits which are maintained in bank deposit accounts. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At December 31, 2019, the uninsured portion of cash was \$157,611.

Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect from the balances outstanding at year end. Based upon the Organization's experience with those with outstanding balances at year end, management has concluded that an allowance for doubtful accounts is not necessary as of December 31, 2019.

Property and Equipment

Property and equipment consists of items with a useful life of greater than one year and a cost in excess of \$1,000. Property and equipment is stated at cost or fair market value if donated, net of accumulated depreciation. Depreciation is provided for on the straight-line method over the useful lives of the assets, which range from five to seven years. Additions and major improvements to existing assets are capitalized. Minor improvements as well as maintenance and repairs are charged to expense as incurred.

Accrued Pass-Through Host Fees

The Organization receives entry fee payments in advance for future tournaments. A portion of these entry fees are paid to tournament host sites. The accrued pass-through host fees relate to receipts received during the current year related to tournaments to be held in a future year.

Financial Statement Presentation

In accordance with U.S. generally accepted accounting principles, the Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as without donor restrictions unless specifically restricted by the donor. Restricted contributions are recorded as restricted income. When the donor stipulation expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and are reported as net assets released from restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are available for general use to support operations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations.

Revenue Recognition

Tournament income, sponsorships, and host fees are recognized as income when the event occurs. Membership dues are recognized over the membership period. Amounts received in advance are deferred to the applicable period. Contributions are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as with or without donor restrictions. Grant revenue is recorded as revenue when the conditions under the grant agreement are met. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$48,800 for the year ended December 31, 2019.

2. New Accounting Guidance Implementation

The Financial Accounting Standards Boards (FASB) issued a new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. The

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. New Accounting Guidance Implementation (Continued)

new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the “new guidance.” The requirement of the new guidance was adopted by the Organization as of January 1, 2019, utilizing the modified retrospective method.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves current guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit organizations. The guidance was adopted by the Organization effective as of January 1, 2019, and the adoption of this update did not have a material impact on the Organization’s financial statements.

3. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

4. Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, gifts to the Organization are tax deductible. The Organization is required to pay federal and state income taxes only on its net unrelated business income. There was no unrelated business income during the year ended December 31, 2019. The Organization is subject to examinations of its returns by the U.S. federal, state and local authorities for three years after the returns are filed. Currently, the 2017, 2018 and 2019 tax returns are open and subject to examination. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Office furniture and equipment	\$ 35,211
Perpetual trophies	<u>34,336</u>
Subtotal	69,547
Less: accumulated depreciation	<u>56,638</u>
Total property and equipment, net	<u>\$ 12,909</u>

Depreciation expense for the year ended December 31, 2019 was \$2,342.

6. Revenue and Revenue Recognition

The Organization adopted ASC Topic 606, *Revenue from Contracts with Customer* (ASC 606), on January 1, 2019. The standard outlines a five-step method whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outline below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflect the consideration the Organization expects to be entitled in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contract with customers. The Organization has identified tournament income, membership, host fees, and sponsorships as revenue categories subject to the adoption of ASC 606.

The results of ASC 606 did not have a material impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the Organization.

7. Functional Expense Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. Lease Commitments

The Company conducts its operations from locations in Anaheim, California and Colorado Springs, Colorado under operating leases expiring at various dates through 2024. The following is a schedule by years of future minimum rental payments required under these operating leases.

December 31, 2020	\$	4,865
December 31, 2021	\$	1,099
December 31, 2022	\$	1,099
December 31, 2023	\$	1,099
December 31, 2024	\$	1,099

Total rent expense for the year ended December 31, 2019 was \$3,898.

9. Retirement Plan

Substantially all the Organization's full-time employees are covered by a 403(b) plan. Participants in the plan may elect to make salary reduction contributions to the plan not to exceed the limitation amounts established by the Internal Revenue Service. The Organization does not contribute to the plan.

10. Liquidity of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date, December 31, 2019, for general expenditures are as follows:

Cash	\$	376,677
Accounts receivable		<u>29,870</u>
Total available	\$	<u>406,547</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of December 31, 2019. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

11. Deferred Revenue

Membership dues are received for one-year memberships throughout the year. Membership dues are deferred and recognized as revenue over the corresponding period of the membership. Dues for lifetime memberships are deferred and recognized as revenue over a 20-year period. In addition, entry fees received for future

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

11. Deferred Revenue (Continued)

tournaments are recorded as deferred entry fees. Deferred revenue consists of the following at December 31, 2019:

Lifetime memberships	\$ 7,149
Regular dues	49,620
Deferred entry fees	<u>30,982</u>
Subtotal	87,751
Less: lifetime memberships – long-term	<u>5,860</u>
Total deferred revenue - current	<u>\$ 81,891</u>

12. Related Party Transactions

The United States Olympic Committee (the “USOC”) provides support to the Organization through grants for sports development, international competition, and team preparation. During the year ended December 31, 2019, the Organization received \$130,273 of grants from the USOC. In addition, the Organization leases office space in Colorado Springs, Colorado from the USOC. Rent expense paid to the USOC during the year ended December 31, 2019 was \$3,767. At December 31, 2019, the Organization owed the USOC \$870. This amount is recorded as due to related party on the Statement of Financial Position.

13. Subsequent Events

Management evaluates all activity of the Company through the issuance date of the financial statements. Management has evaluated subsequent events through January 15, 2021.

As a result of the spread of the COVID-19 coronavirus during 2020, economic uncertainties and disruptions have arisen which have impacted the financial position and results of operations of the Organization. While the disruption is currently expected to be temporary, there is considerable uncertainty around the disruption. Such impacts include disruptions and restrictions on the Organization’s ability to perform services and conduct events. The ability to secure sponsorships and other funding may also be impacted. Therefore, while the Organization expects the matter to impact its operating results in 2020, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Organization acquired a loan pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020, further amended by the Paycheck Protection Program Flexibility Act.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. Subsequent Events (Continued)

The PPP provides loans to qualifying businesses for amounts up to two and a half months of the average monthly payroll expense.

The loans and accrued interest are forgivable after 24 weeks if the borrower uses the loan proceeds for qualified purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels at certain prescribed levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries below the prescribed level during the 24-week period. The Organization intends to use the proceeds for purposes consistent with the PPP. Therefore, it expects that the loan will be forgiven in 2021.