USA BADMINTON

Financial Statements & Supplemental Schedules

For the Year Ended December 31, 2018

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McMillen & Company, PLLC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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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, 2018, 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

Other auditors previously audited USA Badminton's 2017 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated June 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note A to the financial statements, in 2018, USA Badminton adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Emphasis of Other Matter

As described in Note I, in March 2020, the World Health Organization declared a pandemic related to a fast-spreading novel strain of coronavirus. The outbreak caused significant global disruption in commercial and noncommercial activities. The disruption may have a significant impact on future financial performance; however, the ultimate impact of this global concern cannot be determined. Our opinion is not modified with respect to that matter.

McMillen & Company, PLLC

Colorado Springs, Colorado
June 18, 2020

USA BADMINTON

Statement of Financial Position

December 31, 2018

(With Comparative Amounts for 2017)

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 511,400	$ 208,466
Accounts receivable, net	6,597	18,750
Due from related parties	20,190	
Prepaid insurance	8,336	8,758
Other prepaid expenses		124
Total current assets	546,523	236,098
INVESTMENTS	177	499
FURNITURE AND EQUIPMENT, at cost:		
Office furniture and equipment	25,832	19,592
Perpetual trophies	34,336	34,336
Less accumulated depreciation	(54,296)	(53,928)
Furniture and equipment, net	5,872	
TOTAL ASSETS	$ 552,572	$ 236,597

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES:		
Accounts payable	$ 19,596	$ 15,021
Due to related parties	124,135	35,154
Other accrued liabilities	59,196	17,073
Passthrough entry fees	90,758	46,373
Current portion of deferred revenue	47,744	115,550
Total current liabilities	341,429	229,171
NONCURRENT LIABILITIES:		
Deferred revenue	7,151	8,535
Total liabilities	348,580	237,706
NET ASSETS:		
Without donor restrictions	203,992	(1,109)
Total net assets	203,992	(1,109)
TOTAL LIABILITIES AND NET ASSETS	$ 552,572	$ 236,597

See Notes to Financial Statements

USA BADMINTON

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2018

(With Comparative Amounts for 2017)

	2018	2017
REVENUE:		
Tournament/coaching fees	262,425	147,837
Other fee income	144,655	59,341
USOC grants and VIK support	130,705	116,182
Other grants	103,781	10,000
Junior Nationals income	92,167	
Membership dues	87,120	83,051
Sponsorships	80,173	86,050
Para-badminton income	62,084	77,843
Technical official fees	51,624	32,050
High performance income	43,377	98,429
Contributions	27,082	25,669
Sanction fees	23,650	23,850
Insurance income	14,490	15,250
Investment income net of fees of $270 and $239	(183)	352
Returns and allowances	(8,848)	(26,033)
Total revenue	1,114,302	749,871
EXPENSES:		
Program services:		
Elite athletes and coaching	552,829	460,008
Membership	93,887	154,048
Athlete development	72,859	58,720
Total program services	719,575	672,776
Supporting services:		
National office	186,509	43,185
Board of directors	3,117	10,496
Total supporting services	189,626	53,681
Total expenses	909,201	726,457
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	205,101	23,414
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	0	0
NET ASSETS, beginning of year:	(1,109)	(2,994)
Adjustment for additional passthrough entry fees		(21,529)
NET ASSETS, beginning of year, as restated		(24,523)
NET ASSETS, end of year	$ 203,992	$ (1,109)

See Notes to Financial Statements

USA BADMINTON

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services				Supporting Services			
	Elite Athletes & Coaching	Membership	Athlete Development	Total Program Services	National Office	Board of Directors	Total Supporting Services	Total Expenses
Advertising & promotions	$ 5,737	$ 4,033	$ 1,344	$ 11,114	$ 17,477	$	$ 17,477	$ 28,591
Auto & truck fees	340			340				340
Bank & merchant fees	61,453	20,484		81,937	838		838	82,775
Coaching & officials certifications	674			674				674
Contract labor	10,593			10,593				10,593
Depreciation					368		368	368
Employee benefits	4,186	2,592	3,463	10,241	4,838		4,838	15,079
Equipment	9,020			9,020	2,495		2,495	11,515
High performance: other event costs	14,380			14,380				14,380
Internet & telephone					997		997	997
Insurance	4,696	15,689		20,385	7,848	2,768	10,616	31,001
Junior Nationals: other event costs	18,784			18,784				18,784
Miscellaneous					7,500		7,500	7,500
Other administrative meals					2,347		2,347	2,347
Other taxes & licenses					70		70	70
Para events: other direct costs	23,335			23,335				23,335
Payroll taxes	4,842	2,998	4,006	11,846	4,725		4,725	16,571
Postage & delivery					7		7	7
Professional fees		4,702		4,702	42,313		42,313	47,015
Rent & lease expense	81,967			81,967	4,044		4,044	86,011
Salaries & wages	70,078	43,389	57,980	171,447	80,986	349	81,335	252,782
Supplies	190			190	3,591		3,591	3,781
Televising	39,905			39,905				39,905
Travel, lodging & meals	162,871		6,066	168,937	6,065		6,065	175,002
US Open: other event costs	39,778			39,778				39,778
	$ 552,829	$ 93,887	$ 72,859	$ 719,575	$ 186,509	$ 3,117	$ 189,626	$ 909,201

See Notes to Financial Statements

USA BADMINTON

Statement of Cash Flows

For the Year Ended December 31, 2018

(With Comparative Amounts for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 205,101	$ 23,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	368	895
Unrealized (gain) loss on securities	62	(186)
(Increase) decrease in operating assets:		
Accounts receivable, net	(8,037)	(14,300)
Prepaid expenses	(546)	(4,982)
Increase (decrease) in operating liabilities:		
Accounts payable	4,575	3,524
Due to related party	88,981	
Accrued liabilities	42,123	1,263
Passthrough entry fees	44,385	(37,332)
Deferred revenue	(67,806)	60,410
Total adjustments	104,105	9,292
Net cash provided by operating activities	309,206	32,706
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(6,608)	
Investments	336	241
Net cash provided (used) by investing activities	(6,272)	241
NET INCREASE IN CASH	302,934	32,947
CASH AND CASH EQUIVALENTS, beginning of year	208,466	175,519
CASH AND CASH EQUIVALENTS, end of year	$ 511,400	$ 208,466

See Notes to Financial Statements

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.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented except for the presentation of prior year expenses according to their natural classification which is allowable under transition guidance for ASU 2016-14. The new standards change the following aspects of the Corporation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.

- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ (1,109)	$
Net assets without donor Restrictions		(1,109)
Total net assets	$ (1,109)	$ (1,109)

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.

New Authoritative Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single, comprehensive framework for recognition of all revenue earned from customers. The topic's framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For certain entities, assuming that an entity does not invoke implementation extensions allowed due to COVID-19 (Note I), including the Corporation, the standard is effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating its impact on its financial statements.

In June 2018, the FASB issued standard ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides a more robust framework for determining whether an entity should account for a transaction as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Authoritative Pronouncements Not Yet Adopted - continued

For certain entities, assuming that an entity does not invoke implementation extensions allowed due to COVID-19 (Note I), including the Corporation, the standard is effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating its impact on its financial statements.

Basis of presentation

The financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America (GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

- Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Supplemental Cash Flow Disclosure

The Corporation paid no interest or income taxes during the years ending December 31, 2018 and 2017.

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 is not necessary for the years ended December 31, 2018 and 2017.

Depreciation

Items with greater than a 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 seven years. Depreciation expense for the years ended December 31, 2018 and 2017, was $368 and $895, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

In as much 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. However, restricted contributions are reported as an increase in net assets without donor restrictions if the restriction is satisfied in the same reporting period in which the support is recognized. When a restriction expires, that is, when a stipulated time restriction end 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 net assets released from restrictions.

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. Personnel expenses are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services made by the Corporation's management.

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 natural classification and functional basis of expenses nor certain disclosures in the notes to financial statements. 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, 2017, from which the summarized information was derived.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 18, 2020, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

	2018	2017
Cash and cash equivalents	$ 511,400	$ 208,466
Accounts receivable	26,787	18,750
Investments in marketable securities	177	499
Total	$ 538,364	$ 227,715

As part of the Corporation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

C. FAIR VALUE MEASUREMENTS - Continued

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.

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. Transfers between levels are reported at the end of the reporting period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Equities	$ 177	$	$	$ 177

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	$ 499	$	$	$ 499

C. FAIR VALUE MEASUREMENTS - Continued

Investment income consists of the following components for the year ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	$ (149)	$ (166)
Unrealized gain (loss) on securities	62	(186)
	$ (87)	$ (352)

D. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017 there were no net assets with donor restrictions.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose.

E. 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 year ended December 31, 2018 and 2017 consist of the following project categories:

	2018	2017
Challenge grant	$ 20,000	$ 20,000
Membership platform	15,000	
Operations manager	14,819	
Para badminton grants	10,000	20,000
Communications support	8,400	
Other funding	6,934	11,464
International relations grant	4,990	560
Value-in-kind	562	1,158
Business & executive coaching		11,500
Bid fees		1,500
	$ 80,705	$ 66,182

Also, in August 2012, the Corporation entered into a digital media agreement with the USOC. The term of the agreement was extended through December 31, 2020. The Corporation received $50,000 in digital media fees for the years ended December 31, 2018 and 2017. The 2018 digital media agreement amounts were paid in advance in 2017 and deferred by the Corporation.

E. RELATED PARTY TRANSACTIONS - Continued

The USOC provides the Corporation with a portion of its current office facilities at no cost, which has been valued at $562 and $1,158 for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, the Corporation owed $124,135 and $35,154, respectively, to the USOC for unspent grant funds, event expenses, and facility charges.

F. 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, 2018 and 2017:

	2018	2017
USOC	$	$ 64,834
Lifetime Memberships	8,535	10,022
Regular Memberships	42,860	35,619
Bid fees, sancations, and tournament income	3,500	13,610
	$ 54,895	$ 124,085

G. OPERATING LEASES

During 2017, the Corporation moved its National Headquarters to Anaheim, California. Effective February 28, 2017, the Corporation entered into a new office lease agreement with the USOC, commencing March 1, 2017 and expiring December 31, 2020. The lease terms provide space for one staff member in Colorado Springs, and requires $6.50 a square foot for the office space and $3.25 for the common space.

The Corporation has 225 square feet of office space and 173 square feet of common space. The Corporation does not pay for the use of the common space, and it has recorded value-in-kind in the amount of $562 for use of this common space.

During the year ended December 31, 2016, the Corporation entered into an agreement for office space in Anaheim, California, commencing January 1, 2017, and expiring December 31, 2024. The agreement provides the Corporation with in-kind office space for up to six staff.

G. OPERATING LEASES - Continued

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

2019	$	1,463
2020		1,463

H. 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.

I. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared a pandemic related to a fast-spreading novel strain of coronavirus. As a result of the global attention and concern arising from this disease (COVID-19), many event organizers and governments have taken appropriate measures to limit the spread of the disease, such as postponing or cancelling events. Potential impacts to the Corporation include disruptions or restrictions on the Corporation's ability to perform services and/or conduct events, which could inhibit its ability to secure sponsorships and other funding. Furthermore, the financial impacts of COVID-19 on the Corporation's sponsors and grantors are unknown.

Management continues to evaluate options for appropriate response to this global concern within the context of its operations and events. However, the ultimate impact of the COVID-19 outbreak is unknown.

In April 2020, the Corporation acquired a loan pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, further amended by the Paycheck Protection Program Flexibility Act. The PPP provides loans to qualifying businesses for amounts up to two months of the average monthly payroll expenses plus an additional 25% of that amount.

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

I. SUBSEQUENT EVENT - Continued

employees or reduces salaries below the prescribed level during the 24-week period. The Corporation intends to use the proceeds for purposes consistent with the PPP. Therefore, it expects that the loan will be forgiven in 2020 and it will report the Corporation's amount, to the extent it is forgiven, as nontaxable income.