

USA BADMINTON

**FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

With Independent Auditors' Report Thereon

**USA BADMINTON
INDEX TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-11



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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
USA Badminton
El Monte, California

We have audited the accompanying financial statements of USA Badminton (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



August 30, 2021

USA BADMINTON
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

Assets

	2020	2019
Current assets:		
Cash	\$ 168,030	\$ 376,677
Accounts receivable	3,520	29,870
Prepaid expenses	5,006	11,778
Total current assets	176,556	418,325
Property and equipment, net	9,785	12,909
Total assets	\$ 186,341	\$ 431,234

Liabilities and Net Assets

	2020	2019
Current liabilities:		
Accounts payable	\$ 16,015	\$ 14,454
Accrued expenses	8,413	7,041
Current portion of Payroll Protection Program loan	27,498	-
Deferred revenue - current	35,273	81,891
Accrued pass-through host fees	-	125,906
Due to related party	-	870
Total current liabilities	87,199	230,162
Long-term liabilities:		
Payroll Protection Program loan, less current portion	23,502	-
Deferred revenue - long-term	4,802	5,860
Total long-term liabilities	28,304	5,860
Total liabilities	115,503	236,022
Net assets:		
Without donor restrictions	70,838	195,212
Total net assets	70,838	195,212
Total liabilities and net assets	\$ 186,341	\$ 431,234

The accompanying notes are an integral part of these financial statements.

USA BADMINTON
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenues:		
Grants	\$ 156,570	\$ 173,715
Tournament income	100,252	511,749
Sponsorships	60,201	84,224
Membership	56,818	108,441
Contributions	900	22,827
Host fees for Junior Nationals	-	98,480
	374,741	999,436
Expenses:		
Program	262,526	761,175
Supporting services	236,644	247,228
	499,170	1,008,403
Other income:		
Interest income	55	187
	55	187
Net change in net assets without donor restrictions	(124,374)	(8,780)
Net assets, beginning of year	195,212	203,992
Net assets, end of year	\$ 70,838	\$ 195,212

The accompanying notes are an integral part of these financial statements.

USA BADMINTON
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Supporting activities/			Supporting activities/		
	Program activities	Management and general	Total	Program activities	Management and general	Total
Expenses:						
Salaries and wages	\$ 145,081	\$ 122,133	\$ 267,214	\$ 154,482	\$ 88,937	\$ 243,419
Professional fees	-	58,672	58,672	-	77,955	77,955
Travel	49,885	5,244	55,129	149,446	2,195	151,641
Bank and merchant fees	19,284	16,234	35,518	47,264	27,211	74,475
Payroll taxes	11,801	9,934	21,735	14,373	8,275	22,648
Insurance	10,278	8,652	18,930	6,666	3,838	10,504
Tournament expenses	12,856	-	12,856	9,863	-	9,863
Other operating expenses	3,897	3,280	7,177	2,387	1,374	3,761
Office expenses	-	6,335	6,335	-	6,009	6,009
Special program expenses	6,083	-	6,083	28,693	-	28,693
Depreciation	-	3,124	3,124	-	2,342	2,342
Employee benefits	1,477	1,243	2,720	5,517	3,177	8,694
BWF expenses	1,789	-	1,789	5,256	-	5,256
Rent and lease expenses	-	1,713	1,713	86,277	3,898	90,175
Advertising	95	80	175	30,970	17,830	48,800
US Open expenses	-	-	-	115,746	-	115,746
Televising	-	-	-	52,919	-	52,919
Junior Nationals expenses	-	-	-	35,780	-	35,780
Contract labor	-	-	-	7,274	4,187	11,461
High performance	-	-	-	8,262	-	8,262
Total expenses	\$ 262,526	\$ 236,644	\$ 499,170	\$ 761,175	\$ 247,228	\$ 1,008,403

The accompanying notes are an integral part of these financial statements.

USA BADMINTON
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Cash received from members and others	\$ 352,545	\$ 885,754
Cash paid to suppliers and employees	(612,247)	(1,011,462)
Interest received	55	187
Net cash used in operating activities	(259,647)	(125,521)
Cash flows from investing activities:		
Purchase of equipment	-	(9,379)
Proceeds from sale of investment	-	177
Net cash used in investing activities	-	(9,202)
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan	51,000	-
Net provided by financing activities	51,000	-
Net decrease in cash	(208,647)	(134,723)
Cash, beginning of year	376,677	511,400
Cash, end of year	\$ 168,030	\$ 376,677
Reconciliation of change in net assets to net cash provided by operating activities:		
Net change in net assets without donor restrictions	\$ (124,374)	\$ (8,780)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,124	2,342
(Increase) decrease in assets:		
Accounts receivable	26,350	(23,273)
Prepaid expenses	6,772	(3,442)
Due from related party	-	20,190
Increase (decrease) in liabilities:		
Accounts payable	1,561	(5,142)
Accrued expenses	1,372	(52,155)
Deferred revenue	(47,676)	32,856
Accrued pass-through host fees	(125,906)	35,148
Due to related party	(870)	(123,265)
Net cash used in operating activities	\$ (259,647)	\$ (125,521)

The accompanying notes are an integral part of these financial statements.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 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. The uninsured portion of cash was \$157,611 at December 31, 2019. There was no uninsured portion of cash at December 31, 2020.

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, 2020 and 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.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

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 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 for the years ended December 31, 2020 and 2019 was \$175 and \$48,400, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year presentation.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluates all activity of the Organization through the issuance date of the financial statements. Management evaluated subsequent events through August 30, 2021 and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

2. 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.

3. 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 years ended December 31, 2020 and 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 2018, 2019 and 2020 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.

4. Property and Equipment

Property and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 35,211	\$ 35,211
Perpetual trophies	<u>34,336</u>	<u>34,336</u>
Subtotal	69,547	69,547
Less: accumulated depreciation	<u>59,762</u>	<u>56,638</u>
Total property and equipment, net	<u>\$ 9,785</u>	<u>\$ 12,909</u>

Depreciation expense was \$3,124 and \$2,342 for the years ended December 31, 2020 and 2019.

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

5. 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.

6. 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, 2021	\$	4,980
December 31, 2022	\$	1,380
December 31, 2023	\$	1,380
December 31, 2024	\$	1,380

Rent expense was \$1,713 and \$3,898 for the years ended December 31, 2020 and 2019, respectively.

7. 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.

8. Liquidity of Financial Assets

The Organization's financial assets available within one year of the statements of financial position date, December 31, 2020 and 2019, for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 168,030	\$ 376,677
Accounts receivable	<u>3,520</u>	<u>29,870</u>
Total available	<u>\$ 171,550</u>	<u>\$ 406,547</u>

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

8. Liquidity of Financial Assets (Continued)

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, 2020. 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.

9. 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 tournaments are recorded as deferred entry fees. Deferred revenue consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Lifetime memberships	\$ 5,861	\$ 7,149
USOC grant	21,097	-
Regular dues	13,117	49,620
Deferred entry fees	<u>-</u>	<u>30,982</u>
Subtotal	40,075	87,751
Less: lifetime memberships – long-term	<u>4,802</u>	<u>5,860</u>
Total deferred revenue - current	<u>\$ 35,273</u>	<u>\$ 81,891</u>

10. Payroll Protection Program Loan

In June 2020, the Company acquired a loan pursuant to the Payroll Protection Program under the CARES Act and secured financing through a financial institution for \$51,000 at 1.00% interest. The loan matures on November 1, 2022. The loan is guaranteed by the Small Business Administration. The loan qualifies for 100% forgiveness if certain criteria are met. The criteria were met and the loan was forgiven on February 10, 2021.

The Payroll Protection Program loan is recorded as follows at December 31, 2020:

Current	\$ 27,498
Long-term	<u>23,502</u>
Total Payroll Protection Program loan	<u>\$ 51,000</u>

USA BADMINTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

11. 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 years ended December 31, 2020 and 2019, the Organization received \$156,570 and \$130,273 in 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 years ended December 31, 2020 and 2019 was \$792 and \$3,767. At December 31, 2019, the Organization owed the USOC \$870. This amount is recorded as due to related party on the Statements of Financial Position.

12. Commitments and Contingencies

The on-going COVID-19 outbreak may continue to have a significant impact on the Organization in future years; however, the potential impact on the Organization is not currently measurable. Due to the level of risk this virus may have on the global economy, it is at least reasonably possible that it could have an impact on the operations of the Organization in the near-term that could materially impact the Organization's financial position and results of operations. The Organization participated in the Payroll Protection Program in April 2020 and received financing of \$51,000 through a financial institution. The loan qualifies for forgiveness if certain criteria are met. The criteria were met and the loan was forgiven on February 10, 2021.