

USA BADMINTON
Financial Statements
For the Year Ended December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
USA Badminton
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of USA Badminton (a nonprofit organization) as of December 31, 2008, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's December 31, 2007 financial statements and, in our report dated March 24, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP

April 13, 2009

USA BADMINTON
Statement of Financial Position
December 31, 2008
(With Comparative Amounts for 2007)

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 187,091	\$ 166,914
Accounts receivable	11,623	3,368
Inventory	775	1,455
Prepaid expenses	<u>9,610</u>	<u>13,468</u>
Total current assets	209,099	185,205
INVESTMENTS (Note D)	29,175	28,948
EQUIPMENT, at cost:		
Office furniture and equipment	15,899	15,899
Perpetual trophies	34,336	34,336
Less accumulated depreciation	<u>(50,063)</u>	<u>(47,608)</u>
Furniture and equipment - net	<u>172</u>	<u>2,627</u>
TOTAL ASSETS	<u>\$ 238,446</u>	<u>\$ 216,780</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 9,886	\$ 9,019
Accrued liabilities	4,293	4,193
Current portion of deferred revenue (Note E)	<u>30,923</u>	<u>33,460</u>
Total current liabilities	45,102	46,672
LONG-TERM LIABILITIES:		
Deferred revenue (Note E)	<u>26,313</u>	<u>26,853</u>
Total liabilities	71,415	73,525
NET ASSETS:		
Unrestricted	160,025	136,071
Temporarily restricted (Note B)	<u>7,006</u>	<u>7,184</u>
Total net assets	<u>167,031</u>	<u>143,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 238,446</u>	<u>\$ 216,780</u>

See Notes to Financial Statements

USA BADMINTON
Statement of Activities and Changes in Net Assets
For the Year Ended December, 31 2008
(With Comparative Amounts for 2007)

	Unrestricted	Temporarily Restricted	2008 Totals	2007 Totals
REVENUE:				
USOC grants (Note C)	\$ 99,067	\$	\$ 99,067	\$ 104,822
USOC content license agreement (Note C)	97,000		97,000	97,000
Membership dues	60,936		60,936	63,989
Contributions	18,444	5,000	23,444	91,105
Value-in-kind support Tournament/coaching fees	12,000		12,000	12,000
	9,475		9,475	2,900
Miscellaneous	7,112		7,112	10,308
Sanction fees	6,040		6,040	5,720
National bid fees	4,500		4,500	9,000
Investment income (Note D)	4,337		4,337	6,080
Retail sales	3,693		3,693	4,419
Less cost of goods sold	(2,548)		(2,548)	(4,712)
Net assets released from restrictions (Note B)	<u>5,178</u>	<u>(5,178)</u>		
Total revenue	325,234	(178)	325,056	402,631
EXPENSES:				
Program services:				
Elite athletes & coaching	144,913		144,913	139,928
Membership	47,568		47,568	58,970
Athlete development	<u>27,979</u>		<u>27,979</u>	<u>31,726</u>
Total program services	220,460		220,460	230,624
Supporting services:				
General and administrative	<u>80,820</u>		<u>80,820</u>	<u>80,172</u>
Total supporting services	<u>80,820</u>		<u>80,820</u>	<u>80,172</u>
Total expenses	<u>301,280</u>		<u>301,280</u>	<u>310,796</u>
CHANGE IN NET ASSETS	23,954	(178)	23,776	91,835
NET ASSETS, beginning of year	<u>136,071</u>	<u>7,184</u>	<u>143,255</u>	<u>51,420</u>
NET ASSETS, end of year	<u>\$ 160,025</u>	<u>\$ 7,006</u>	<u>\$ 167,031</u>	<u>\$ 143,255</u>

See Notes to Financial Statements

USA BADMINTON
Statement of Cash Flows
For the Year Ended December 31, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 23,776	\$ 91,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,455	2,455
Realized loss on securities	227	
Unrealized loss on securities		378
Changes in assets and liabilities:		
Increase in accounts receivable	(8,255)	(58)
Decrease in inventory	680	
Decrease prepaid expenses	3,858	3,655
Increase in accounts payable	867	(13,238)
Increase in accrued liabilities	100	(2,334)
Decrease in deferred revenue	<u>(3,077)</u>	<u>(12,339)</u>
Total adjustments	<u>(3,145)</u>	<u>(21,481)</u>
Net cash provided by operating activities	20,631	70,354
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment		(1,000)
Purchase of investments	<u>(454)</u>	<u>(1,069)</u>
Net cash used by investing activities	<u>(454)</u>	<u>(2,069)</u>
NET INCREASE IN CASH	20,177	68,285
CASH AND CASH EQUIVALENTS, beginning of year	<u>166,914</u>	<u>98,629</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 187,091</u>	<u>\$ 166,914</u>

See Notes to Financial Statements

USA BADMINTON
Notes to Financial Statements
For the Year Ended December 31, 2008

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 is an organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Corporation qualifies for charitable contribution deductions and is not a private foundation. Income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income.

Cash and Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Videos	\$ 508	\$ 565
Special items	<u>267</u>	<u>890</u>
	<u>\$ 775</u>	<u>\$ 1,455</u>

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 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, 2007 from which the summarized information was derived.

Concentration of Credit Risks

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

The delinquency and collectability of receivables is determined on a case by case basis and receivables are written off to bad debt when determined to be uncollectible.

Depreciation

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 each of the years ended December 31, 2008 and 2007 was \$2,455.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

B. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Walk of Fame	\$ 1,862	\$ 2,040
Camps	<u>5,144</u>	<u>5,144</u>
	<u>\$ 7,006</u>	<u>\$ 7,184</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2008, net assets were released from restrictions by satisfying the following purposes:

	<u>2008</u>	<u>2007</u>
Walk of Fame	<u>\$ 5,178</u>	<u>\$ 811</u>

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Grants provided during the years ended December 31, 2008 and 2007 consisted of the following project categories:

	<u>2008</u>	<u>2007</u>
NGB funding	\$ 94,000	\$ 86,000
Value-in-kind	<u>5,067</u>	<u>18,822</u>
	<u>\$ 99,067</u>	<u>\$ 104,822</u>

The USOC provides the Corporation with a portion of its office facilities at no cost, which has been valued at \$12,000 and recorded in the financial statements. Rent paid to the USOC for the years ended December 31, 2008 and 2007 amounted to \$126 per month.

The Corporation entered into a joint marketing agreement with the USOC in November, 2004. The term of the original agreement was January 1, 2005 through December 31, 2008.

In 2007 the Corporation entered into a content license agreement with the USOC. The term of the agreement is July 1, 2007 through December 31, 2012. Under the terms of the content license agreement the joint marketing agreement was terminated. The Corporation received \$72,000 in licensing fees and a \$25,000 bonus for the years ended December 31, 2008 and 2007.

During the years ended December 31, 2008 and 2007, payments totaling \$11,506 and \$13,165, respectively, were made to K & D Graphics, an entity owned by two Board members. K & D Graphics then donated \$11,506 and \$13,165, respectively, in 2008 and 2007 back to the Corporation. These amounts are included in contributions in the accompanying statement of activities.

D. INVESTMENTS

The Corporation's investments are considered available for sale. Investments are carried at market value and consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equities	\$ 352	\$ 1,032
Money market funds	28,823	2,916
Municipal bonds	<u> </u>	<u>25,000</u>
Total	<u>\$ 29,175</u>	<u>\$ 28,948</u>

Notes to Financial Statements

D. INVESTMENTS - Continued

Investment income consists of the following components for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest & dividends	\$ 4,110	\$ 6,458
Realized gain (loss) on securities	(227)	
Unrealized gain (loss) on securities	<u> </u>	<u>(378)</u>
	<u>\$ 3,883</u>	<u>\$ 6,080</u>

E. DEFERRED REVENUE

Membership dues received for three and five-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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Lifetime memberships	\$ 23,399	\$ 24,787
Regular memberships	18,589	18,560
Five-year memberships	7,558	9,210
Three-year memberships	6,790	6,500
Other	900	
Sanction fees	<u> </u>	<u>1,256</u>
	<u>\$ 57,236</u>	<u>\$ 60,313</u>

F. OPERATING LEASES

The Corporation leases storage space on a month-to-month basis.

Rent expense under this lease totaled \$1,128 and \$987 for the years ended December 31, 2008 and 2007, respectively.

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.

USA BADMINTON
Schedule of Program Services
For the Year Ended December 31, 2008

	Elite Athletes & Coaching	Membership	Athlete Development	Total Program Services
Coaching certification	\$ 793	\$	\$	\$ 793
Coaching manuals	160			160
Insurance		6,885		6,885
International competitions	20,000			20,000
Olympic player development	120			120
Olympics	2,277			2,277
Postage & shipping		796		796
Printing		10,442		10,442
Region			4,000	4,000
Regional rebates			492	492
Rule books - members		4,634		4,634
Salaries, benefits and payroll taxes	80,990	21,867	23,323	126,180
Sanction refund	328	1,148	164	1,640
Shipping, phones, supplies	77			77
Telephone		8		8
Travel, lodging & meals	31,868			31,868
US Open	8,300			8,300
Walk of Fame		1,788		1,788
	<u>\$ 144,913</u>	<u>\$ 47,568</u>	<u>\$ 27,979</u>	<u>\$ 220,460</u>

USA BADMINTON
Schedule of Supporting Services
For the Year Ended December 31, 2008

	National Office	Board of Directors	Total Supporting Services
Accounting fees	\$ 4,808	\$	\$ 4,808
Bank fees	2,302		2,302
Board of Directors		25	25
Copying	275		275
Depreciation	2,455		2,455
Dues and publications	13,475		13,475
Equipment	1,281		1,281
Equipment maintenance	1,617		1,617
Insurance	6,360	8,428	14,788
Legal fees	(3,583)		(3,583)
Maintenance	120		120
Miscellaneous	3,321		3,321
Office supplies	3,487		3,487
Olympic tickets		856	856
Payroll processing	1,563		1,563
Printing	70		70
Rent	12,720		12,720
Salaries and payroll tax	13,120		13,120
Shipping/postage	3,622		3,622
Software	444		444
Storage rent expense	1,128		1,128
Telephone and pagers	433	60	493
Travel	699	940	1,639
Web page hosting	794		794
	<u>\$ 70,511</u>	<u>\$ 10,309</u>	<u>\$ 80,820</u>