



UNITED STATES JUDO, INC.

Financial Statements

For the Year Ended December 31, 2019

And

Independent Auditors' Report

UNITED STATES JUDO, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Judo, Inc

We have audited the accompanying financial statements of United States Judo, Inc. (the Organization), which comprise the financial position as of December 31, 2019, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 United States Judo, Inc. 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.

Report on Summarized Comparative Information

The financial statements of the Organization as of December 31, 2018 were audited by other auditors whose report dated October 20, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all respects, with the audited financial statements from which it was derived.

Stockman Kast Ryan + Co. LLP

January 11, 2021

UNITED STATES JUDO, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 50,762	\$ 94,435
Due from USOC		20,000
Prepaid expenses and other current assets	82,940	33,752
Investments	<u>532,140</u>	<u>445,078</u>
Total current assets	665,842	593,265
PROPERTY AND EQUIPMENT, NET	<u>8,356</u>	<u>10,743</u>
TOTAL	<u>\$ 674,198</u>	<u>\$ 604,008</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 90,876	\$ 54,621
Accrued expenses	63,354	66,267
Deferred revenue	<u>283,163</u>	<u>294,084</u>
Total current liabilities	<u>437,393</u>	<u>414,972</u>
NET ASSETS		
Without donor restrictions:		
Available for operations	223,449	177,293
Invested in property and equipment	<u>8,356</u>	<u>10,743</u>
Total net assets without donor restrictions	231,805	188,036
With donor restrictions	<u>5,000</u>	<u>1,000</u>
Total net assets	<u>236,805</u>	<u>189,036</u>
TOTAL	<u>\$ 674,198</u>	<u>\$ 604,008</u>

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUES				
Grants	\$ 768,857		\$ 768,857	\$ 757,500
Contributions	76,271	\$ 5,000	81,271	105,716
Event registration fees	381,877		381,877	347,117
Dues and membership	719,096		719,096	693,125
Certification and other service fees	56,349		56,349	66,585
Other	100,649		100,649	3,485
Total	2,103,099	5,000	2,108,099	1,973,528
Net assets released from restrictions — satisfaction of purpose restrictions	1,000	(1,000)	—	—
Total support and revenues	2,104,099	4,000	2,108,099	1,973,528
EXPENSES				
Program services	1,579,510		1,579,510	1,557,258
Supporting services:				
Fundraising	403,937		403,937	351,416
General and administrative	76,883		76,883	37,883
Total expenses	2,060,330	—	2,060,330	1,946,557
CHANGE IN NET ASSETS	43,769	4,000	47,769	26,971
NET ASSETS, Beginning of year	188,036	1,000	189,036	162,065
NET ASSETS, End of year	\$ 231,805	\$ 5,000	\$ 236,805	\$ 189,036

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
High performance expense	\$ 675,792			\$ 675,792
Salaries and benefits	340,350	\$ 233,302	\$ 57,750	631,402
National event expense	299,498			299,498
Membership expense	133,095			133,095
Insurance	54,363	76,734		131,097
Professional services	16,450	28,999		45,449
Occupancy and office		39,334		39,334
Business operations	9,800	21,545		31,345
Referee expense	26,817			26,817
Donations	2,200		19,133	21,333
Other	21,145	4,023		25,168
TOTAL	\$ 1,579,510	\$ 403,937	\$ 76,883	\$ 2,060,330
PERCENTAGE	77%	19%	4%	100%
TOTAL - 2018	\$ 1,557,258	\$ 351,416	\$ 37,883	\$ 1,946,557
PERCENTAGE - 2018	80%	18%	2%	100%

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ 47,769	\$ 26,971
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,387	1,194
Donated property and equipment		(11,938)
Net realized and unrealized (gains) losses on investments	(82,647)	17,265
Changes in operating assets and liabilities:		
Due from USOC	20,000	(20,000)
Accounts receivable		5,195
Prepaid expenses and other current assets	(49,188)	2,880
Accounts payable and accrued expenses	33,342	(90,921)
Deferred revenue	(10,921)	40,084
Net cash used in operating activities	<u>(39,258)</u>	<u>(29,270)</u>
INVESTING ACTIVITIES		
Purchase of investments	(4,415)	(53,494)
Maturities of certificates of deposit		50,175
Net cash used in investing activities	<u>(4,415)</u>	<u>(3,319)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(43,673)	(32,589)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>94,435</u>	<u>127,024</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 50,762</u>	<u>\$ 94,435</u>

See notes to financial statements.

UNITED STATES JUDO, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — United States Judo, Inc. (the Organization) was incorporated in September 2000 in the state of Texas. The Organization is the national governing body of the sport of judo in the United States in accordance with the Ted Stevens Olympic and Amateur Sports Act and, as such, is a member of the United States Olympic Committee (USOC). The principal purpose of the Organization is to operate for charitable and educational purposes and to foster national and international amateur sports competition in the sport of judo.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions which represent the expendable resources that are available for operations at management's discretion and the net investment in furniture and equipment; and net assets with donor restrictions, which represent resources restricted by donors as the purpose or by the passage of time.

The accompanying financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents — The Organization considers all liquid investments with original maturities of three months or less, and which are not held for long-term investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for long-term investment purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition. The net amount of operating cash added to, or withdrawn from, the long-term investments is reported as an investing activity in the statement of cash flows.

Accounts Receivable — Accounts receivable are stated at the amount billed for services and fees. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on specific circumstances of the customer and other economic factors. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Net investment return consists of interest and dividend income, and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. See Note 4 for additional information on fair value measurements.

Prepaid Expenses and Other Assets — Prepaid expenses and other assets consist primarily of expenses paid and tickets purchased in advance of future judo events.

Property and Equipment — All acquisitions of property and equipment in excess of \$3,000 are capitalized. Donated equipment is recorded at fair market value at the date of donation. Purchased equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of 5 years. Upon sale or disposition, the asset and its related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in the statement of activities. Costs of repairs and maintenance are charged to expense when incurred.

Change in Accounting Principles — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principles of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2019, management adopted ASU 2014-09 using the modified retrospective method of transition. Management performed an analysis of revenue streams and transactions under ASU 2014-09. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 had no net impact on excess of revenues over expenses or total net assets.

In June 2018, FASB issued Accounting Standards Update (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 the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During 2019, management adopted ASU 2018-08 using the modified prospective method of transition. The impact of adopting ASU 2018-08 had no net impact on excess of revenues over expenses or total net assets.

Revenue from Contracts — On July 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 606, *Revenue from Contracts with Customers (Topic 606)*, which requires the company to recognize revenues by applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, if applicable; and (5) recognize revenue when (or as) the performance obligation is satisfied.

USOPC funds received in advance are included in deferred revenue and recognized when the related performance obligation is satisfied. Dues and memberships are recognized ratably over the period of membership as services are simultaneously received and consumed by the members.

Grants and contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an

increase in net assets without donor restrictions. When a donor restriction is met, 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 costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses are recorded when costs are incurred. The majority of expenses are comprised of travel, lodging, food, site costs and related costs, which are allocated to program as the costs are associated with events the Organization hosts or events their athletes attend. For salaries expense, the Organization reviewed the salaries for each employee and allocated the expense as a percentage of time effort spent in each category. Occupancy costs are then allocated using the percentages derived from the salary allocation and headcount.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Association and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, these entities qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Equipment	\$ 11,937	\$ 11,937
Software	<u>8,000</u>	<u>8,000</u>
Total	19,937	19,937
Less accumulated depreciation	<u>11,581</u>	<u>9,194</u>
Total	<u>\$ 8,356</u>	<u>\$ 10,743</u>

Depreciation expense was \$2,387 and \$1,194 during the years ended December 31, 2019 and 2018, respectively.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of December 31:

	2019	2018
Kata Athlete and competitions	\$ 5,000	
2019 Prize Purse	<u> </u>	\$ <u>1,000</u>
Total	<u>\$ 5,000</u>	<u>\$ 1,000</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization recognizes transfer between levels at the end of the reporting period.

The Organization's investment in the United States Olympic Endowment (USOE) portfolio is valued at fair value using the net asset value of the portfolio provided by the USOE. Certain alternative

investments within the USOE portfolio are stated at the estimated net asset values of the underlying investments. The Organization's investment in this portfolio is classified as Level 2.

The Organization may terminate its investment agreement with the USOE effective at the end of any calendar month upon the giving of at least 90 days written notice or upon shorter notice acceptable to the USOE if the USOE determines that adequate liquidity exists in the portfolio to permit early termination.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. The Organization considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that investment.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of December 31:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2019:				
USOE portfolio	<u>\$ —</u>	<u>\$ 532,140</u>	<u>\$ —</u>	<u>\$ 532,140</u>
2018:				
USOE portfolio	<u>\$ —</u>	<u>\$ 445,078</u>	<u>\$ —</u>	<u>\$ 445,078</u>

The USOE portfolio consists of the following investments at December 31:

	2019	2018
Alternative investments	37%	39%
Domestic equities	31%	29%
International equities	19%	18%
Domestic bonds	7%	7%
International bonds	3%	4%
Cash and other	<u>3%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>

Alternative investments include hedge equity funds, private equity funds, real estate funds and limited partnerships.

Net investment income (loss) is composed of the following for the years ended December 31:

	2019	2018
Net realized and unrealized gains (losses)	\$ 82,647	\$ (17,265)
Dividend and interest income	<u>4,415</u>	<u>3,244</u>
Net investment income (loss)	<u>\$ 87,062</u>	<u>\$ (14,021)</u>

5. OPERATING LEASE

The Organization leases office space from the USOC, a related party, under a lease agreement expiring April 30, 2020. Subsequent to April 30, 2020, the lease was renewed on a monthly basis. Payments under this lease agreement totaled approximately \$19,000 for the years ended December 31, 2019 and 2018.

6. RETIREMENT PLAN

The Organization maintains a retirement plan for its employees. The plan covers all employees as defined in the Organization's human resource handbook. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code and the Organization matches contributions up to 3% of the employee's compensation. The Organization made contributions to the plan of \$17,621 and \$7,675 for the years ended December 31, 2019 and 2018, respectively.

7. CONCENTRATIONS

The Organization is economically dependent upon monetary grants from the USOC in order to maintain its programs at current levels. The USOC provides grants to the Organization for sports development, international competition and team preparation. Total monetary grants from the USOC for the following years is as follows:

	2019	2018
NGB Funding	\$ 525,883	\$ 515,966
Paralympic	99,640	100,000
Media agreement	50,000	50,000
Other	<u>43,186</u>	<u>41,280</u>
Total	<u>\$ 718,709</u>	<u>\$ 707,246</u>

In addition to the monetary grants noted above, the Organization received donated goods and services from the USOC for the following years as follows:

	2019	2018
NGB Funding	\$ 44,896	\$ 45,002
Other	<u>5,252</u>	<u>5,252</u>
Total	<u>\$ 50,148</u>	<u>\$ 50,254</u>

The USOC provided the Organization 36% and 38% of total revenues for the years ended December 31, 2019 and 2018, respectively.

8. RELATED PARTY TRANSACTIONS

The Organization recognizes revenue from the USOC of \$768,857 and \$757,501 for the years ended December 31, 2019 and 2018, respectively (See Note 7). The Organization was due \$0 and \$20,000 from the USOC for the years ended December 31, 2019 and 2018, respectively. The Organization owed \$1,885 and \$4,300 to the USOC for the years ended December 31, 2019 and 2018, respectively.

9. UNCERTAINTIES

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.