



UNITED STATES JUDO, INC.

Financial Statements

For the Year Ended December 31, 2020

And

Independent Auditors' Report

UNITED STATES JUDO, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2020, 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 audit 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, 2020, 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

We have previously audited United States Judo, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

July 30, 2021

UNITED STATES JUDO, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020 (with comparative totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 447,978	\$ 50,762
Accounts receivable	16,487	
Prepaid expenses and other current assets	90,442	82,940
Investments	<u>624,386</u>	<u>532,140</u>
Total current assets	1,179,293	665,842
PROPERTY AND EQUIPMENT, NET	<u>5,968</u>	<u>8,356</u>
TOTAL	<u>\$ 1,185,261</u>	<u>\$ 674,198</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,865	\$ 90,876
Accrued expenses	44,414	63,354
Deferred revenue	<u>432,115</u>	<u>283,163</u>
Total current liabilities	520,394	437,393
LONG-TERM LIABILITIES		
Notes payable	<u>150,000</u>	<u></u>
TOTAL LIABILITIES	<u>670,394</u>	<u>437,393</u>
NET ASSETS		
Without donor restrictions:		
Available for operations	479,548	223,449
Invested in property and equipment	<u>5,968</u>	<u>8,356</u>
Total net assets without donor restrictions	485,516	231,805
With donor restrictions	<u>29,351</u>	<u>5,000</u>
Total net assets	<u>514,867</u>	<u>236,805</u>
TOTAL	<u>\$ 1,185,261</u>	<u>\$ 674,198</u>

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUES				
Grants	\$ 584,783		\$ 584,783	\$ 768,857
Dues and membership	562,741		562,741	719,096
Investment income	92,246		92,246	87,062
Contributions	31,408	29,351	60,759	81,271
Certification and other service fees	54,416		54,416	56,349
Events				381,877
Other	35,840		35,840	13,587
Total	1,361,434	29,351	1,390,785	2,108,099
Net assets released from restrictions — satisfaction of purpose restrictions	5,000	(5,000)	—	—
Total support and revenues	1,366,434	24,351	1,390,785	2,108,099
EXPENSES				
Program services	821,878		821,878	1,579,510
Supporting services:				
General and administrative	345,938		345,938	403,937
Fundraising	44,381		44,381	76,883
Total expenses	1,212,197	—	1,212,197	2,060,330
Operating gain	154,237	24,351	178,588	47,769
PPP forgiveness	99,474	—	99,474	—
CHANGE IN NET ASSETS	253,711	24,351	278,062	47,769
NET ASSETS, Beginning of year	231,805	5,000	236,805	189,036
NET ASSETS, End of year	\$ 485,516	\$ 29,351	\$ 514,867	\$ 236,805

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020			Total	2019 Total
	Program Services	Supporting Services			
		General and Administrative	Fundraising		
Salaries and benefits	\$ 333,589	\$ 200,101	\$ 44,381	\$ 578,071	\$ 631,402
High performance	292,076			292,076	675,792
Insurance	43,897	73,699		117,596	131,097
Membership	76,011			76,011	133,095
Professional services	21,765	32,056		53,821	45,449
Occupancy and office		34,757		34,757	39,334
National events	23,564			23,564	299,498
Business operations	18,721	3,786		22,507	31,345
Other	10,108	1,539		11,647	25,168
Donations	2,147			2,147	21,333
Referees					26,817
TOTAL	\$ 821,878	\$ 345,938	\$ 44,381	\$ 1,212,197	
PERCENTAGE	68%	28%	4%	100%	
TOTAL - 2019	\$ 1,579,510	\$ 403,937	\$ 76,883		\$ 2,060,330
PERCENTAGE - 2019	77%	19%	4%		100%

See notes to financial statements.

UNITED STATES JUDO, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 278,062	\$ 47,769
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,388	2,387
PPP forgiveness	(99,474)	
Net realized and unrealized gains on investments	(86,785)	(82,647)
Changes in operating assets and liabilities:		
Accounts receivable	(16,487)	
Due from USOC		20,000
Prepaid expenses and other current assets	(7,502)	(49,188)
Accounts payable and accrued expenses	(70,092)	33,342
Deferred revenue	148,952	(10,921)
Net cash provided by (used in) operating activities	<u>149,062</u>	<u>(39,258)</u>
INVESTING ACTIVITIES		
Net cash used in investing activities –		
Purchase of investments	<u>(5,461)</u>	<u>(4,415)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	150,000	
Proceeds from PPP grant	<u>103,615</u>	
Net cash provided by financing activities	<u>253,615</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	402,677	(39,258)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>55,177</u>	<u>94,435</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 457,854</u>	<u>\$ 55,177</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
PPP forgiveness	<u>\$ 99,474</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 1980 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, 2019, 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. At times during the year, the Organization's cash accounts may exceed Federal Deposit Insurance Corporation insured limits.

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. As of December 31, 2020 and 2019, management believes all accounts receivable are fully collectible.

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 5 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.

Revenue from Contracts — The Organization recognizes 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 programs 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 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 Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

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

Prior Period Reclassifications — Certain prior period amounts have been reclassified to conform to current year presentation.

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. LIQUIDITY AND AVAILABILITY

The table reflects the Organization's financial assets as of December 31, 2020, reduced by amounts that are not available for use within one year from the statement of financial position date.

Cash and cash equivalents	\$ 447,978
Accounts receivable	16,487
Investments	<u>624,386</u>
Total financial assets	<u>1,088,851</u>
Less amounts unavailable to be used within one year, due to:	
Net assets with donor restrictions	<u>(29,351)</u>
Total financial assets available to management to meet cash needs within one year	<u>\$ 1,059,500</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as their general expenditures, liabilities and other obligations come due. In accordance with their liquidity plan, excess cash is invested in long-term investments and the Organization follows the guidelines of their investment policy.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2020	2019
Equipment	\$ 11,937	\$ 11,937
Software	<u>8,000</u>	<u>8,000</u>
Total	19,937	19,937
Less accumulated depreciation	<u>(13,969)</u>	<u>(11,581)</u>
Total	<u>\$ 5,968</u>	<u>\$ 8,356</u>

Depreciation expense was \$2,388 and \$2,387 during the years ended December 31, 2020 and 2019, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds that the Organization has received which are restricted to support the Organization's Olympic, Paralympic, and Youth programs. Total net assets with donor restrictions were \$29,351 and \$5,000 at December 31, 2020 and 2019, respectively.

5. 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
2020:				
USOE portfolio	<u>\$ —</u>	<u>\$ 624,386</u>	<u>\$ —</u>	<u>\$ 624,386</u>
2019:				
USOE portfolio	<u>\$ —</u>	<u>\$ 532,140</u>	<u>\$ —</u>	<u>\$ 532,140</u>

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

	2020	2019
Alternative investments	33%	37%
Domestic equities	24%	31%
Domestic bonds	24%	7%
International equities	15%	19%
International bonds	0%	3%
Cash and other	<u>4%</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 is composed of the following for the years ended December 31:

	2020	2019
Net realized and unrealized gains	\$ 86,785	\$ 82,647
Dividend and interest income	<u>5,461</u>	<u>4,415</u>
Net investment income	<u>\$ 92,246</u>	<u>\$ 87,062</u>

6. NOTES PAYABLE

On May 24, 2020, the Organization obtained a loan issued by a bank bearing interest at 2.75% in the amount of \$150,000 pursuant to the Economic Injury Disaster Loan Program (the EIDL), of the CARES Act. The note is secured by the Organization's assets and requires monthly payments of principal and interest, with payments applied to accrued interest first, beginning on May 24, 2021. The note matures on May 24, 2050.

Principle maturities of notes payable are as follows:

2021	\$	—
2022		2,072
2023		3,670
2024		3,772
2025		3,877
Thereafter		<u>136,609</u>
Notes payable	\$	<u>150,000</u>

7. PAYROLL PROTECTION PROGRAM GRANT

During 2020, the Organization obtained a loan issued by a bank bearing interest at 1.00% in the amount of \$103,615, pursuant to the Paycheck Protection Program (the PPP) of the CARES Act. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization believes that it is probable that they have met the loan eligibility and forgiveness criteria as of December 31, 2020, and resultingly have recognized the forgivable portion of the PPP loan as revenue during the year ended December 31, 2020. On March 5, 2021, official forgiveness in the amount of \$99,474 was received, and this amount is presented outside of operating activities in the accompanying statements of activities. The non-forgiven portion totaled \$4,141 and is included within accrued liabilities in the accompanying statements of financial position.

8. OPERATING LEASE

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

9. RETIREMENT PLAN

The Organization maintains a retirement plan for its employees. The plan covers all employees as defined in the Organization's Plan document. 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 approximately \$15,000 and \$17,600 for the years ended December 31, 2020 and 2019, respectively.

10. 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 sport development, international competition, and team preparation. Total monetary grants recognized as revenue from the USOC for the following years are as follows:

	2020	2019
NGB funding	\$ 362,275	\$ 525,883
Special funding	111,449	43,186
Media agreement	50,000	50,000
Paralympic	<u>44,023</u>	<u>99,640</u>
Total	<u>\$ 567,747</u>	<u>\$ 718,709</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:

	2020	2019
NGB funding	\$ 11,784	\$ 44,896
Other	<u>5,252</u>	<u>5,252</u>
Total	<u>\$ 17,036</u>	<u>\$ 50,148</u>

The USOC provided the Organization 39% and 36% of total revenues for the years ended December 31, 2020 and 2019, respectively.

11. RELATED PARTY TRANSACTIONS

The Organization recognized revenue from the USOC of approximately \$585,000 and \$769,000 for the years ended December 31, 2020 and 2019, respectively (See Note 10). The Organization was owed \$1,000 from the USOC as of December 31, 2020, and owed the USOC \$1,885 as of December 31, 2019. The Organization recognized related-party lease expense of approximately \$19,000 during the years ended December 31, 2020 and 2019 (See Note 8).