

Explanatory Notes Accompanying Financial Statements

A. 2007: It is appropriate to state that 2007 was a year of accomplishment and investment for USA Taekwondo. National teams performed superbly in China, Daytona Beach and in Olympic Qualifying. Four Olympic spots were qualified for the first time since 2000. New programming and membership initiatives were started. It was decided by USAT that long term investment in programs and membership initiatives were necessary to ensure the future of the organization. There was a negative year end financial position of the organization that can be explained by a number of factors that are set forth herein.

1. **HLTC:** The corporation projected significant revenues from its contract with HLTC in the areas of coaching and athlete training. There were disputes between the contractor and the Board of Directors beginning in 2006 that we were never able to satisfactorily resolve and this negatively affected both the viability of the programs and the contractor's ability to deliver the types of products USAT believed were necessary to make the program a success. In late 2007 USAT negotiated a buy-out of the contract with the result being that no revenues were realized from HLTC in 2007. The positive side of this unfortunate financial outcome is that beginning in 2008 USAT has taken the program in-house and is no longer involved in revenue sharing with an outside contractor.
2. **Investment in the Future:** USAT made a strategic decision to invest in critical areas of organizational development. We invested in extensive outreach to reach different membership demographic groups. We invested in major recruitment events at the 2007 Junior Olympics in San Jose. We believe this investment is paying off in 2008 and for future years as membership is growing.
3. **National Teams Investment:** USAT funded many high performance projects in 2007 including World Championships in Beijing, a trip to the German Open, Olympic Qualification tournaments in Europe and South America and hosted a Junior Pan-American championship in Florida. We also invested \$56,000 in a Summer World University games team when the USOC declined to fund this project. Many of these trips ran over budget because of rising hotel and airfare costs and the weak U.S. dollar. We did not believe it was wise to make budget cuts in these events because qualification of four athletes for the Olympics was critical for our future viability. Hence we funded what we needed to fund in order to accomplish our mission. We were successful in that regard and hope to recoup our investment with greater publicity and visibility for our sport, increased membership numbers and increased donor support. Our Olympic athletes are providing us with a platform to achieve those goals.
4. **U.S. Economy:** The country was heading into a recessionary phase in 2007. Recessions are often not acknowledged by economists until a nation is emerging from one. This affected event attendance and membership in 2007 and with the

rising price of gas and travel will affect us again in 2008. USAT is watching event costs closely and scaling back in costs where possible.

5. **USOC Repayment Plan:** The previous Governance and Management Committee that operated USAT from mid-2004 to 2006 approved an overly aggressive repayment plan with the USOC. The repayment of \$1,200,000.00 in three years left USAT with no cash reserves to withstand a poor financial year. It is typical for national governing bodies' financial performances to fluctuate from year to year and the repayment plan handicapped the flexibility of USAT to access any cash reserves.

B. 2008: USA Taekwondo's Board and Management are rightfully concerned about the current financial position of the corporation and have taken the following steps to assure that the organization is strong financially for the future.

1. **Budget:** A lower budget was approved for 2008 with expenses pegged lower than 2007. Budget cuts have been made across the board to reduce the budget deficit and bring USAT back into a positive cash position. While essential USA team trips such as the Junior World Championships and Olympic training camps are being funded, USOC funding is covering most of those expenses.
2. **Event Costs:** USAT has imposed a new policy that each event cost must be signed off on by Events Director, CFO and CEO. Better estimates of staffing needs are now possible because of event histories. Catering costs are more closely monitored and access to meal areas is more tightly controlled. More events are planned for the Olympic Training Center in Colorado Springs where USAT can more easily control costs and run high quality events. Every event is expected to run at a profit in order to fund other needed activities.
3. **Fundraising:** USAT has been more aggressive in fund-raising efforts in 2008 and expects to reap positive results from these efforts.
4. **Membership:** The membership department has been reorganized with the result that there are now 2 full time membership department staffers. Where we had excelled in membership service we are now more aggressively using this staff to recruit new members. The re-introduction of state tournaments has increased membership at a grass roots level.

C. Conclusion: We believe the future is bright for USAT and the organization is on the right track to financial stability. USAT has made investments for the long term that will better stabilize our finances and help us support more programs. Future progress in the areas of donations and foundation support are needed to further solidify are future and plans are being implemented in those areas.