

**U.S.A. NATIONAL KARATE-DO
FEDERATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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HALL, ROHN & ASSOCIATES

RICHARD F. HALL, CPA
MARK W. ROHN, CPA

CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
U.S.A. National Karate-Do Federation, Inc.
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of U.S.A. National Karate-Do Federation, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 U.S.A. National Karate-Do Federation, Inc. as of December 31, 2011, 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.

Hall, Rohn and Associates

Hall, Rohn & Associates

April 26, 2012

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 53,556
Miscellaneous receivables	620
	<u>54,176</u>

FIXED ASSETS

Office equipment	85,431
Office furniture & fixtures	7,721
Athletic equipment	77,935
	<u>171,087</u>
Less: accumulated depreciation	149,577
	<u>21,510</u>

TOTAL ASSETS \$ 75,686

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,000
Credit card payable	39,848
Payroll taxes payable	4,142
	<u>46,990</u>

NET ASSETS

Unrestricted	<u>28,696</u>
	\$ <u>75,686</u>

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

SUPPORT AND REVENUE

Tournament fees	\$ 555,446
Membership fees	92,258
Commissions on merchandise sales	39,416
Contributions	19,609
Miscellaneous	11,600
Seminars	41,446
USOC Support and other related organizations	<u>29,026</u>

TOTAL SUPPORT AND REVENUE 788,801

EXPENSES

Program services	649,347
Management and general	<u>58,402</u>

TOTAL EXPENSES 707,749

CHANGE IN UNRESTRICTED NET ASSETS 81,052

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR (52,356)

UNRESTRICTED NET ASSETS, END OF YEAR \$ 28,696

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

		<u>Supporting Services</u>		
	<u>Total</u>	<u>Program Services</u>	<u>Mgmt and General</u>	<u>Fund Raising</u>
Accounting fees	\$ 9,897	\$ 4,949	\$ 4,948	\$ -0-
Bank and credit card charges	23,879	23,879	-0-	-0-
Contract services	1,501	1,501	-0-	-0-
Depreciation expense	6,087	6,087	-0-	-0-
Dues and membership	750	563	187	-0-
Information technology	4,820	2,410	2,410	-0-
Insurance	59,767	58,572	1,195	-0-
Marketing and promotion	4,000	2,000	2,000	-0-
Miscellaneous expense	4,643	2,322	2,321	-0-
Office supplies	1,274	637	637	-0-
Officer compensation	127,831	95,873	31,958	-0-
Payroll taxes	9,780	7,335	2,445	-0-
Postage	301	150	151	-0-
Rent and storage	9,421	4,711	4,710	-0-
Supplies	5,554	2,777	2,777	-0-
Travel and lodging	298	149	149	-0-
Telephone	5,027	2,513	2,514	-0-
Tournament costs	<u>432,919</u>	<u>432,919</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 707,749</u>	<u>\$ 649,347</u>	<u>\$ 58,402</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 81,052
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	6,087
Depreciation	
Changes in operating assets and liabilities	
Decrease in accounts receivable	3,380
Decrease in accounts payable	(21,468)
Increase in credit card payable	725
Decrease in other current liabilities	(18,227)
Net cash provided by operating activities	<u>51,549</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture and equipment	(4,290)
Net decrease in cash	<u>47,259</u>
CASH, BEGINNING OF YEAR	<u>6,297</u>
CASH, END OF YEAR	<u>\$ 53,556</u>

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 NATURE OF ORGANIZATION

The U.S.A. National Karate-Do Federation, Inc. (the Organization) was formed June 29, 1994 to promote and encourage the sport of karate. The Organization coordinates recreational and competitive amateur karate activities in the United States and other countries. During 1996, the Organization became the national governing body of the sport and is a member of the U.S.A. National Olympic Committee.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The Organization presents its financial statements using Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no temporarily or permanently restricted net assets.

Advertising - The Organization expenses advertising costs as incurred. Marketing and promotion expense was \$4,000 for the year ending December 31, 2011.

Furniture and Equipment - Furniture and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all donated fixed assets at fair market value. Depreciation is provided on the straight-line method based on the estimated useful lives of three to ten years.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services - Contributions of services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation would normally be recorded at their fair value, based on management's estimates, in the period received. However, volunteer services have not been reported in the financial statements because they did not meet the documentation criteria for recognition under SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

Federal Income Tax - The Organization is exempt from Federal income taxation under Internal Revenue Code Section 501(c)(3), except for unrelated business income tax. The Organization had no unrelated business income for the year ended December 31, 2011, and therefore was not subject to federal income tax.

Use of Estimates - Management uses estimates and assumptions in preparing its financial statements. 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 assumed in preparing the financial statements.

NOTE 3 CONTINGENCIES

As of December 31, 2011, there were no lawsuits pending against the Federation.