

**U.S.A. National Karate-Do Federation, Inc.**

**Financial Statements**

**December 31, 2023 and 2022**



**MARK J PENISTON**

CPA LLC

TAX AND FINANCIAL SERVICES

## Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information	10

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Michael Cain, CEO  
U.S.A. National Karate-Do Federation, Inc.

### **Opinion**

We have audited the accompanying financial statements of U.S.A. National Karate-Do Federation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of U.S.A. National Karate-Do Federation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about U.S.A. National Karate-Do Federation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

with generally accepted auditing standards will always detect a material misstatement when one exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 U.S.A. National Karate-Do Federation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about U.S.A. National Karate-Do Federation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Mark J. Peniston, CPA

Mark J. Peniston CPA LLC  
Colorado Springs, CO  
December 6, 2024

**U.S.A. National Karate-Do Federation, Inc.**  
**Statement of Financial Position**  
**December 31, 2023, and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 245,784	\$ 298,601
Accounts receivable	50,000	-
Prepaid expenses	83,444	7,648
	<u>379,228</u>	<u>306,249</u>
Fixed Assets		
Office equipment	128,870	127,759
Office furniture & fixtures	7,721	7,721
Athletic equipment	105,397	105,397
	<u>241,988</u>	<u>240,877</u>
Less: Accumulated Depreciation	<u>(241,099)</u>	<u>(236,082)</u>
	<u>889</u>	<u>4,795</u>
<b>Total Assets</b>	<u>\$ 380,117</u>	<u>\$ 311,044</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 64,413	\$ 3,454
Deferred revenue	9,540	-
Credit card payable	34,055	2,334
	<u>108,008</u>	<u>5,788</u>
Net Assets		
Unrestricted	272,109	305,256
<b>Total Liabilities and Net Assets</b>	<u>\$ 380,117</u>	<u>\$ 311,044</u>

**See accompanying notes to the financial statements.**

**U.S.A. National Karate-Do Federation, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Support and Revenue</b>		
Tournament fees	\$ 988,286	\$ 679,067
Membership fees	169,926	125,881
Commissions on merchandise sales	50,123	55,072
Contributions	83,587	31,843
USOC support and other related organizations	138,160	122,508
Interest income	49	116
	<u>1,430,131</u>	<u>1,014,487</u>
<b>Total Support and Revenue</b>		
<b>Expenses</b>		
Program services	1,365,650	1,032,089
Management and general	97,628	98,256
	<u>1,463,278</u>	<u>1,130,345</u>
<b>Total Expenses</b>		
<b>Change in Unrestricted Net Assets</b>	(33,147)	(115,858)
<b>Unrestricted Net Assets</b>		
Beginning of Year	<u>305,256</u>	<u>421,114</u>
<b>End of Year</b>	<u>\$ 272,109</u>	<u>\$ 305,256</u>

**See accompanying notes to the financial statements.**

**U.S.A. National Karate-Do Federation, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from participants	\$ 1,158,212	\$ 804,948
Cash received from sponsors and donations	181,287	161,007
Cash received from the sale of merchandise	50,123	55,072
Interest received	49	116
Cash paid to employees	(140,483)	(233,623)
Cash paid for operating expenses	<u>(1,300,895)</u>	<u>(1,061,812)</u>
Net cash provided (used) by operating activities	<u>(51,707)</u>	<u>(274,292)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	<u>(1,110)</u>	<u>(8,126)</u>
Net cash provided (used) by investing activities	<u>(1,110)</u>	<u>(8,126)</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(52,817)</u>	<u>(282,418)</u>
<b>Cash and Cash Equivalents</b>		
Beginning of Year	<u>298,601</u>	<u>581,019</u>
<b>End of Year</b>	<u><u>\$ 245,784</u></u>	<u><u>\$ 298,601</u></u>

**See accompanying notes to the financial statements.**

**U.S.A. National Karate-Do Federation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note 1: Nature of Organization**

The U.S.A. National Karate-Do Federation, Inc. (the Federation) was formed June 29, 1994, to promote and encourage the sport of karate. The Federation coordinates recreational and competitive amateur karate activities in the United States and other countries. During 1996, the Federation 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 Federation 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 Federation 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. As of December 31, 2023, there are no temporarily or permanently restricted net assets.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Federation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities of three months or less.

Contributions

Contributions are recorded when received with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. When donor restrictions are met, donor restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions. Donations of property and equipment are recorded at their fair value, based on management’s estimates.

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.



### Federal Income Tax

The Federation is exempt from Federal income taxation under Internal Revenue Code Section 501(c)(3), except for unrelated business income tax. The Federation had no unrelated business income for the years ended December 31, 2023 and 2022, and therefore was not subject to federal income tax.

### Property, Furniture, and Equipment

Property, furniture, and equipment purchased by the Federation are recorded at cost. The Federation follows the practice of capitalizing all donated fixed assets at fair market value. The Federation capitalizes assets expected to last more than one year. Depreciation is provided on the Modified Accelerated Cost Recovery System (MACRS) method based on the following estimated useful lives:

	<u>Years</u>
Office furniture and equipment	5-7
Athletic equipment	5-7

Depreciation expense for the years ended December 31, 2023 and 2022, was \$222 and \$8,308, respectively.

### Advertising

The Federation expenses advertising costs as incurred. Marketing and promotion expense at December 31, 2023 and 2022 was \$18,204 and \$10,256, respectively.

### **Note 3: Accounts Receivable**

As of December 31, 2023, accounts receivable includes a \$50,000 tourism rebate due from Visit Fort Worth under a contract effective December 8, 2023. This rebate is related to the 2024 U.S. Open and was collected subsequent to the balance sheet date. No allowance for doubtful accounts has been recorded, as management considers the receivable fully collectible.

### **Note 4: Prepaid Expenses**

As of December 31, 2023, prepaid expenses totaled \$83,445, compared to \$7,288 as of December 31, 2022. The increase is primarily due to a \$10,000 vendor deposit to secure a venue for an event planned in 2025 and \$68,416 related to prepaid business insurance. These amounts will be amortized over their respective periods as the related benefits are realized.

### **Note 5: Contingencies**

As of December 31, 2023, there were no lawsuits pending against the Federation.

**Note 6: Accounts Payable**

As of December 31, 2023, accounts payable totaled \$64,413, compared to \$3,454 as of December 31, 2022. The significant increase is primarily attributable to the timing of payments related to business insurance, which are included in prepaid expenses. The insurance invoice was accrued as of year-end but was paid in full in the subsequent year.

**Note 7: Deferred Revenue**

Deferred revenue at December 31, 2023 and 2022, in the amount of \$9,540 and \$0 respectively, consisted of advance sponsor and payments and tournament fees.

**Note 8: Economic Dependency**

The Federation is economically dependent on the worldwide interest and participation in the art of Karate as well as sponsor of the US Olympic Committee to sustain its operations at current levels.

**Note 9: Liquidity of Assets and Liabilities**

Assets and liabilities are classified as either current or long-term depending on the timeframe of their liquidity. Current assets are readily available and highly liquid. Long-term assets are expected to be held for at least one year. Current liabilities are expected to be met within one year. Long-term liabilities are expected to be met in one year or more.

The Federation does not have any temporary or permanent donor restrictions, and thus does not need to reserve any resources for specific restrictions.

Cash and cash equivalents consist of cash held in FDIC insured bank and savings accounts.

The Federation repairs and maintains all long-term assets to ensure each last for a typical useful life.

**Note 10: Concentrations of Credit Risk**

The Federation may be subject to credit risk of its cash, which is placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") covers up to \$250,000 for substantially all depository accounts. From time to time, the Federation may have amounts on deposit in excess of FDIC limits. Management believes the Federation is not exposed to any significant credit risk on cash.

**Note 11: Board Designated Net Assets**

At December 31, 2023, the Board of Directors has not designated any portion of the Federation's unrestricted net assets for any purpose.

**Note 12: Evaluation of Subsequent Events**

The Federation has evaluated subsequent events through December 6, 2024, the date which the financial statements were available to be issued.

**Note 13: Functional Expenses**

The costs of the Federation's programs and activities have been reported on a functional basis in the Statement of Functional Expenses. Expenses are charged to each program based on direct expenses incurred. Any program expenses not directly chargeable to a program are allocated based on indirect cost allocations.

## **Supplementary Information**

**U.S.A. National Karate-Do Federation, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**

	<u>Total</u>	<u>Program</u> <u>Services</u>	<u>Supporting Services</u>	
			<u>Mgmt and</u> <u>General</u>	<u>Fund Raising</u>
Tournament costs	\$ 909,284	\$ 909,284	\$ -	\$ -
Salaries and wages	140,483	105,362	35,121	-
Insurance	71,914	70,476	1,438	-
Dues and membership	29,894	29,894	-	-
Contract services	78,370	78,370	-	-
Bank and credit card charges	37,161	37,161	-	-
Accounting fees	38,029	19,014	19,015	-
Rent	44,964	22,482	22,482	-
Payroll taxes	11,042	8,282	2,760	-
Advertising	18,204	18,204	-	-
Board expenses	10,346	5,173	5,173	-
Depreciation expense	222	222	-	-
Miscellaneous expense	9,585	4,793	4,792	-
Computer systems support	6,170	6,170	-	-
Legal	14,998	11,249	3,749	-
Office supplies	5,679	2,839	2,840	-
Telephone	2,578	2,320	258	-
Travel and lodging	34,355	34,355	-	-
Bad debt	-	-	-	-
Supplies	-	-	-	-
	<u>\$ 1,463,278</u>	<u>\$ 1,365,650</u>	<u>\$ 97,628</u>	<u>\$ -</u>

**U.S.A. National Karate-Do Federation, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	<u>Total</u>	<u>Program</u> <u>Services</u>	<u>Supporting Services</u>	
			<u>Mgmt and</u> <u>General</u>	<u>Fund Raising</u>
Tournament costs	\$ 630,672	\$ 630,672	\$ -	\$ -
Salaries and wages	233,623	175,217	58,406	-
Insurance	65,303	63,997	1,306	-
Dues and membership	30,880	30,880	-	-
Contract services	27,000	27,000	-	-
Bank and credit card charges	25,649	25,649	-	-
Accounting fees	25,402	12,701	12,701	-
Rent	18,464	9,232	9,232	-
Payroll taxes	17,413	13,060	4,353	-
Advertising	10,256	10,256	-	-
Board expenses	9,632	4,816	4,816	-
Depreciation expense	8,308	8,308	-	-
Miscellaneous expense	7,668	3,834	3,834	-
Computer systems support	5,159	5,159	-	-
Legal	4,577	3,433	1,144	-
Office supplies	4,258	2,129	2,129	-
Telephone	3,326	2,993	333	-
Travel and lodging	2,753	2,753	-	-
Bad debt	-	-	-	-
Supplies	-	-	-	-
	<u>\$ 1,130,343</u>	<u>\$ 1,032,089</u>	<u>\$ 98,254</u>	<u>\$ -</u>