

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
U.S.A. National Karate-Do Federation, Inc.
Colorado Springs, CO 80906

We have audited the accompanying financial statement U.S.A. National Karate-Do Federation, Inc. which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statement.

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.

Auditor's 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 auditor's 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.

To the Board of Directors
U.S.A. National Karate-Do Federation, Inc.
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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 U.S.A. National Karate-Do Federation, Inc. as of December 31, 2014, 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.

Rohn CPA Group, P.C.

Rohn CPA Group, P.C.
Certified Public Accountants
Colorado Springs, CO

October 12, 2015

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 109,610
Accounts Receivable	<u>12,111</u>
	<u>121,721</u>

FIXED ASSETS

Office equipment	97,850
Office furniture & fixtures	7,721
Athletic equipment	<u>97,897</u>
	203,468
Less: accumulated depreciation	<u>172,329</u>
	<u>31,139</u>

TOTAL ASSETS	\$ <u>152,860</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 30,675
Credit card payable	28,285
Payroll taxes payable	<u>3,262</u>
	<u>62,222</u>

NET ASSETS

Unrestricted	<u>90,638</u>
	<u>\$ 152,860</u>

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

SUPPORT AND REVENUE

Tournament fees	\$ 753,318
Membership fees	120,470
Commissions on merchandise sales	31,520
Contributions	18,196
USOC Support and other related organizations	<u>27,425</u>

TOTAL SUPPORT AND REVENUE 950,929

EXPENSES

Program services	788,524
Management and general	<u>61,556</u>

TOTAL EXPENSES 850,080

CHANGE IN UNRESTRICTED NET ASSETS 100,849

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR (10,211)

UNRESTRICTED NET ASSETS, END OF YEAR \$ 90,638

See accompanying notes to financial statements.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

		<u>Supporting Services</u>		
	<u>Total</u>	<u>Program</u>	<u>Mgmt and</u>	<u>Fund</u>
		<u>Services</u>	<u>General</u>	<u>Raising</u>
Accounting fees	\$ 9,335	\$ 4,667	\$ 4,668	\$ -0-
Bad debt	2,473	2,473	-0-	-0-
Bank and credit card charges	29,180	29,180	-0-	-0-
Board expenses	13,352	6,676	6,676	-0-
Contract services	14,000	14,000	-0-	-0-
Depreciation expense	10,538	10,538	-0-	-0-
Dues and membership	3,068	3,068	-0-	-0-
Insurance	66,579	65,247	1,332	-0-
Legal	18,020	13,515	4,505	-0-
Miscellaneous expense	1,684	842	842	-0-
Office supplies	843	422	421	-0-
Officer compensation	92,511	69,384	23,127	-0-
Payroll taxes	6,576	4,932	1,644	-0-
Postage	2,051	1,026	1,025	-0-
Rent and storage	30,250	15,125	15,125	-0-
Supplies	4,071	2,036	2,036	-0-
Travel and lodging	4,378	4,378	-0-	-0-
Telephone	1,558	1,402	156	-0-
Tournament costs	539,613	539,613	-0-	-0-
	<u>\$ 850,080</u>	<u>\$ 788,524</u>	<u>\$ 61,556</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, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 100,849
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation	10,538
Changes in operating assets and liabilities	
Increase in accounts receivable	(12,111)
Decrease in accounts payable	(10,839)
Decrease in credit card payable	(7,526)
Increase in other current liabilities	1,715
Net cash provided by operating activities	<u>82,626</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	<u>(21,628)</u>
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Net increase in cash	60,998
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CASH, BEGINNING OF YEAR	<u>48,612</u>
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CASH, END OF YEAR	<u>\$ 109,610</u>
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See accompanying notes to financial statements.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 as of December 31, 2014.

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

Advertising - The Organization expenses advertising costs as incurred. Marketing and promotion expense was \$0 for the year ending December 31, 2014.

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, 2014

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."

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

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, 2014, 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, 2014, there were no lawsuits pending against the Federation.