

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the U.S.A. National Karate-Do Federation, Inc. which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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.

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 and Phil Hampel, CEO
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, 2018, 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, PC

Certified Public Accountants
Colorado Springs, CO

November 12, 2019

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

Cash	\$ 893,079
Accounts receivable	5,706
Prepaid expenses	<u>950</u>

899,735

FIXED ASSETS

Office equipment	119,633
Office furniture & fixtures	7,721
Athletic equipment	<u>105,397</u>
	232,751
Less: Accumulated depreciation	<u>(219,925)</u>
	<u>12,826</u>

TOTAL ASSETS \$ 912,561

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Wages payable	\$ 5,832
Payroll taxes payable	5,077
Credit card payable	<u>3,663</u>
	<u>14,572</u>

NET ASSETS

Unrestricted	<u>897,989</u>
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\$ 912,561

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

SUPPORT AND REVENUE

Tournament fees	\$ 927,079
Membership fees	171,000
Commissions on merchandise sales	52,411
Contributions	19,741
USOC Support and other related organizations	180,952
Interest income	<u>401</u>

TOTAL SUPPORT AND REVENUE 1,351,584

EXPENSES

Program services	1,203,558
Management and general	<u>83,148</u>

TOTAL EXPENSES 1,286,706

CHANGE IN UNRESTRICTED NET ASSETS 64,878

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR 833,111

UNRESTRICTED NET ASSETS, END OF YEAR \$ 897,989

See accompanying notes to financial statements.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	
			<u>Mgmt and General</u>	<u>Fund Raising</u>
Tournament costs	\$ 846,428	\$ 846,428	\$ -0-	\$ -0-
Salaries and wages	179,193	134,395	44,798	-0-
Insurance	78,820	77,244	1,576	-0-
Bank and credit card charges	26,379	26,379	-0-	-0-
Advertising	26,162	26,162	-0-	-0-
Rent	25,993	12,996	12,997	-0-
Contract services	17,000	17,000	-0-	-0-
Payroll taxes	14,734	11,050	3,684	-0-
Accounting fees	13,398	6,698	6,700	-0-
Legal	11,510	8,632	2,878	-0-
Dues and membership	9,929	9,929	-0-	-0-
Board expenses	9,353	4,676	4,677	-0-
Depreciation expense	8,618	8,618	-0-	-0-
Office supplies	6,327	3,163	3,164	-0-
Travel and lodging	5,103	5,103	-0-	-0-
Telephone	2,850	2,565	285	-0-
Miscellaneous expense	2,530	1,265	1,265	-0-
Supplies	2,247	1,123	1,124	-0-
Computer systems support	132	132	-0-	-0-
	<u>\$ 1,286,706</u>	<u>\$ 1,203,558</u>	<u>\$ 83,148</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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 64,878
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation	8,618
Changes in operating assets and liabilities	
Decrease in accounts receivable	3,247
Increase in other current assets	(950)
Decrease in accounts payable	(9,976)
Decrease in credit card payable	(3,784)
Increase in other current liabilities	5,879
Net cash provided by operating activities	<u>67,912</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of office equipment	(<u>4,080</u>)
Net increase in cash	63,832

CASH, BEGINNING OF YEAR 829,247

CASH, END OF YEAR \$ 893,079

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018.

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 \$26,162 for the year ending December 31, 2018.

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, 2018

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, 2018, 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, 2018, there were no lawsuits pending against the Federation.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 CONCENTRATIONS OF CREDIT RISK

The Federation may be subject to credit risk to 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 Organization may have amounts on deposit in excess of FDIC limits. Management believes the Organization is not exposed to any significant credit risk on cash.

NOTE 5 EVALUATION OF SUBSEQUENT EVENTS

The Federation has evaluated subsequent events through November 12, 2019, the date which the financial statements were available to be issued.

NOTE 6 FUNCTIONAL EXPENSES

The costs of the Organization'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.