

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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 9, 2018

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS

Cash	\$ 829,247
Accounts Receivable	<u>8,953</u>
	<u>838,200</u>

FIXED ASSETS

Office equipment	115,553
Office furniture & fixtures	7,721
Athletic equipment	<u>105,397</u>
	228,671
Less: accumulated depreciation	<u>(211,308)</u>
	<u>17,363</u>

TOTAL ASSETS	\$ <u><u>855,563</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 9,976
Credit card payable	7,447
Payroll taxes payable	<u>5,029</u>
	<u>22,452</u>

NET ASSETS

Unrestricted	<u>833,111</u>
	\$ <u><u>855,563</u></u>

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

SUPPORT AND REVENUE	
Tournament fees	\$ 971,219
Membership fees	174,045
Commissions on merchandise sales	55,666
Contributions	19,011
USOC Support and other related organizations	<u>127,476</u>
 TOTAL SUPPORT AND REVENUE	 <u>1,347,417</u>
EXPENSES	
Program services	1,029,676
Management and general	<u>90,378</u>
 TOTAL EXPENSES	 <u>1,120,054</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 227,363
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 <u>605,748</u>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <u>\$ 833,111</u>

See accompanying notes to financial statements.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	
			<u>Mgmt and General</u>	<u>Fund Raising</u>
Accounting fees	\$ 10,906	\$ 5,452	\$ 5,454	\$ -0-
Bank and credit card charges	44,969	44,969	-0-	-0-
Board expenses	18,068	9,034	9,034	-0-
Advertising	29,182	29,182	-0-	-0-
Contract services	17,500	17,500	-0-	-0-
Depreciation expense	10,358	10,358	-0-	-0-
Dues and membership	7,879	7,879	-0-	-0-
Insurance	81,529	79,898	1,631	-0-
Legal	14,193	10,645	3,548	-0-
Miscellaneous expense	4,700	2,350	2,350	-0-
Office supplies	1,393	697	696	-0-
Salaries and wages	193,036	144,777	48,259	-0-
Payroll taxes	16,711	12,533	4,178	-0-
Health Insurance	4,093	3,070	1,023	-0-
Postage	1,973	986	987	-0-
Rent and storage	24,641	12,320	12,321	-0-
Computer systems support	2,462	2,462	-0-	-0-
Supplies	1,100	550	550	-0-
Travel and lodging	7,594	7,594	-0-	-0-
Telephone	3,467	3,120	347	-0-
Tournament costs	624,300	624,300	-0-	-0-
	<u>\$ 1,120,054</u>	<u>\$ 1,029,676</u>	<u>\$ 90,378</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 227,363
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation	10,358
Changes in operating assets and liabilities	
Decrease in accounts receivable	4,397
Decrease in other current assets	21,173
Decrease in accounts payable	(21,201)
Increase in credit card payable	3,359
Decrease in other current liabilities	(17,653)
Net cash provided by operating activities	<u>227,496</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of office equipment	<u>(6,336)</u>
Net increase in cash	221,460

CASH, BEGINNING OF YEAR 607,787

CASH, END OF YEAR \$ 829,247

See accompanying notes to financial statements.

**U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017.

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 \$29,182 for the year ending December 31, 2017.

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, 2017

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, 2017, 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, 2017, there were no lawsuits pending against the Federation.

U.S.A. NATIONAL KARATE-DO FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 9, 2018, 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.