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

FINANCIAL STATEMENTS

DECEMBER 31, 2012

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7

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, 2012, 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, 2012, 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.

Rotor CPA Group, PC

Rohn CPA Group, P.C.

May 21, 2013

U.S.A. NATIONAL KARATE-DO FEDERATION, INC. STATEMENT OF FINANCIAL POSITION December 31, 2012

ASSETS

CURRENT ASSETS		
Cash	\$	124,198
Accounts receivable		9,182
		133,380
FIXED ASSETS		
Office equipment		90,953
Office furniture & fixtures		7,721
Athletic equipment		77,935
		176,609
Less: accumulated depreciation		155,569
		21,040
TOTAL ASSETS	\$	154,420
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$	2,846
Credit card payable	·	47,217
Payroll taxes payable		2,553
		52,616
NET ASSETS		
Unrestricted		101,804
	\$	<u>154,420</u>

U.S.A. NATIONAL KARATE-DO FEDERATION, INC. STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

SUPPORT AND REVENUE	
Tournament fees	\$ 708,395
Membership fees	141,286
Commissions on merchandise sales	46,747
Contributions	25,218
Sanctioning fees	24,863
Seminars	23,202
Miscellaneous	10,345
USOC Support and other related organizations	10,000
Interest income	25
MODEL GUDDODE AND DEVINION	
TOTAL SUPPORT AND REVENUE	990,081
EXPENSES	
Program services	846,387
Management and general	70,586
TOTAL EXPENSES	916,973
CHANGE IN UNRESTRICTED NET ASSETS	73,108
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	28,696
	20,030
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 101,804

U.S.A. NATIONAL KARATE-DO FEDERATION, INC. STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012

					Supporting			
				Program		mt and		nd
	-	Total	4	<u>Services</u>	<u>Ge</u> 1	<u>neral</u>	Ra	ising
Accounting fees	\$	7,661	Ś	3,831	Ś	3,830	Ś	-0-
Bank and credit card charges	•	30,291	•	30,291		-0-	1	-0-
Board expenses		10,560		5,280		5,280		-0-
Contract services		26,750		26,750		-0-		-0-
Depreciation expense		5,992		5,992		-0-		-0-
Dues and membership		4,094		3,071		1,023		-0-
Insurance		61,058		59,837		1,221		-0-
Marketing and promotion		2,062		1,031		1,031		-0-
Miscellaneous expense		16,285		8,142		8,143		-0-
Office supplies		9,498		4,749		4,749		-0-
Officer compensation		71,181		53,386	1	L7,795		-0-
Payroll taxes		5,148		3,861		1,287		-0-
Postage		1,255		627		628		-0-
Rent and storage		7,397		3,699		3,698		-0-
Supplies		16,878		8,439		8,439		-0-
Travel and lodging		13,171		6,585		6,586		-0-
Telephone		13,753		6,877		6,876		-0-
Tournament costs		613,939	_	613,939		-0-		-0-
	\$_	916,973	\$_	846,387	\$7	0,586	\$	-0-

U.S.A. NATIONAL KARATE-DO FEDERATION, INC. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$	73,108
Adjustments to reconcile decrease in net		
assets to net cash provided by operating		
activities		5 , 992
Depreciation		
Changes in operating assets and liabilities		
Increase in accounts receivable	(8,562)
Decrease in accounts payable	(154)
Increase in credit card payable		7,369
Decrease in other current liabilities	(1,589)
Net cash provided by operating activities	ng di digang kang di	76,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(5,522)
Net decrease in cash		70,642
CASH, BEGINNING OF YEAR		53,556
CASH, END OF YEAR	\$	124,198

U.S.A. NATIONAL KARATE-DO FEDERATION, INC. NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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 ACOUNTING POLICIES

Financial Statement Presentation - The Organization presents financial statements using Statement of 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 December 31, 2012.

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 \$2,062 for the year ending December 31, 2012.

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, 2012

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."

<u>Cash and Cash Equivalents</u> - 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, 2012, and therefore was not subject to federal income tax.

<u>Use of Estimates</u> - 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, 2012, there were no lawsuits pending against the Federation.