

***UNITED STATES JUDO, INC.***

***FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORTS***

***YEAR ENDED DECEMBER 31, 2012***

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent auditors' report</b>	1
<b>Financial statements</b>	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
<b>Notes to financial statements</b>	6
<b>Additional information</b>	
<b>Independent auditors' report on additional information</b>	12
Schedule of functional expense	13

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET  
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER  
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
United States Judo, Inc.  
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States Judo, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation he 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.

**INDEPENDENT AUDITORS' REPORT – CONTINUED**

**PAGE 2**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Judo, 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.

**Other matters**

The financial statements of United States Judo, Inc. as of December 31, 2011, were audited by other auditors whose report dated June 18, 2012, expressed an unmodified opinion on those statements.

*Osborne, Pausens & Rosacker LLP*

Colorado Springs, Colorado  
October 31, 2013

**UNITED STATES JUDO, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**  
**With Comparative Totals for 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
Cash	\$ 66,301	\$ 42,310
Dues and accounts receivable, net	22,679	49,421
Prepaid expense	22,925	79,911
Inventory	70,566	16,160
Security deposit	3,650	-
<b>Total current assets</b>	186,121	187,803
Property and equipment, net	4,027	6,420
<b>Total assets</b>	\$ 190,148	\$ 194,222

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable	\$ 355,604	\$ 232,898
Accrued liabilities	47,798	28,786
Deferred revenue	10,600	123,630
Current portion of notes payable	47,515	25,000
<b>Total current liabilities</b>	461,517	410,314
<b>Long-term liabilities</b>		
Notes payable	71,235	68,750
<b>Total long-term liabilities</b>	71,235	68,750
<b>Net assets</b>		
Unrestricted	(378,532)	(325,611)
Temporarily restricted	35,928	40,769
<b>Total net assets</b>	(342,604)	(284,842)
<b>Total liabilities and net assets</b>	\$ 190,148	\$ 194,222

See notes to financial statements

**UNITED STATES JUDO, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2012**  
**With Comparative Totals for 2011**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>Public support and revenue</b>				
<b>Public support</b>				
Grants	\$ 643,261	\$ -	\$ 643,261	\$ 632,044
Contributions	61,133	11,370	72,503	148,770
<b>Total public support</b>	<u>704,394</u>	<u>11,370</u>	<u>715,764</u>	<u>780,814</u>
<b>Revenue</b>				
Event registration fees	525,575	-	525,575	184,142
Memberships	455,107	-	455,107	473,051
Certification fees	55,266	-	55,266	112,990
Sale of merchandise	148,482	-	148,482	17,268
Sponsorships	51,861	-	51,861	77,801
Other	50,321	-	50,321	6,184
<b>Total revenue</b>	<u>1,286,612</u>	<u>-</u>	<u>1,286,612</u>	<u>871,436</u>
<b>Total public support and   revenue</b>	<u>1,991,006</u>	<u>11,370</u>	<u>2,002,376</u>	<u>1,652,250</u>
<b>Net assets released from restrictions</b>				
Program	16,211	(16,211)	-	-
<b>Total net assets released     from restrictions</b>	<u>16,211</u>	<u>(16,211)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,007,217</u>	<u>(4,841)</u>	<u>2,002,376</u>	<u>1,652,250</u>
<b>Expense</b>				
Program				
High performance teams	1,679,542	-	1,679,542	1,304,550
Management and general	380,596	-	380,596	283,385
<b>Total expense</b>	<u>2,060,138</u>	<u>-</u>	<u>2,060,138</u>	<u>1,587,935</u>
<b>Change in net assets</b>	(52,921)	(4,841)	(57,762)	64,315
<b>Beginning net assets</b>	<u>(325,611)</u>	<u>40,769</u>	<u>(284,842)</u>	<u>(349,157)</u>
<b>Ending net assets</b>	<u>\$ (378,532)</u>	<u>\$ 35,928</u>	<u>\$ (342,604)</u>	<u>\$ (284,842)</u>

See notes to financial statements

**UNITED STATES JUDO, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**  
**With Comparative Totals for 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash flow from operating activities</b>		
Change in net assets	\$ (57,762)	\$ 64,315
Adjustments to arrive at net cash (used) provided by operations		
Noncash items		
Depreciation	2,393	6,000
Bad debt	4,463	12,000
Changes in assets and liabilities		
Dues and accounts receivable, net	22,279	(12,098)
Prepaid expense	56,986	(67,862)
Inventory	(54,406)	-
Security deposit	(3,650)	-
Accounts payable	122,706	(106,243)
Accrued liabilities	19,012	28,406
Deferred revenue	(113,030)	118,170
<b>Net cash (used) provided by operating activities</b>	<b>(1,009)</b>	<b>42,688</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	-	(2,000)
<b>Net cash used by investing activities</b>	<b>-</b>	<b>(2,000)</b>
<b>Cash flow from financing activities</b>		
Repayment of long-term debt	(25,000)	(11,250)
Proceeds from note payable	50,000	-
<b>Net cash provided (used) by financing activities</b>	<b>25,000</b>	<b>(11,250)</b>
<b>Net change in cash</b>	23,991	29,438
<b>Beginning cash</b>	42,310	12,872
<b>Ending cash</b>	\$ 66,301	\$ 42,310

See notes to financial statements

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities** - United States Judo, Inc. (Organization) is a nonprofit corporation incorporated under the laws of the State of Texas. The Organization is the national governing body of the sport of judo in the United States in accordance with the Ted Stevens Olympic and Amateur Sports Act and, as such, is a member of the United States Olympic Committee (USOC). The principal purpose of the Organization is to operate for charitable and educational purposes and to foster national and international amateur sports competition in the sport of judo

**Basis of accounting** - These financial statements are prepared using the accrual method of accounting in accordance with generally accepted accounting principles. Revenues and support are recognized when earned and expenses are recorded when incurred.

**Revenue recognition** - The Organization has opted to record certain temporarily restricted contribution in which the restrictions have been met in the year of receipt as unrestricted contributions.

Grants from the USOC contain clauses that the use of the funds and related expenses are subject to audit and adjustment. In addition, grants from the USOC may contain a clause that unused or surplus funds are to be returned to the USOC. For such grants, revenues have been recorded based upon those amounts expected to be realized.

**Contributions and grants** - Information regarding financial position and activities is reported in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2012, the Organization had no permanently restricted net assets.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or specific restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support, absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Income tax status** - The Organization is exempt under Section 501(c)(3), of the Internal Revenue Code from tax on income derived from donations, income generated by activities carried on in furtherance of its exempt purpose and certain other specified income and, in addition, is qualified to receive tax deductible contributions. The Organization has been determined to be a publicly supported organization and not to be a private foundation.

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. The significant accounting estimates used in the preparation of the Organization's financial statements relate to depreciation and the functional allocation of certain expenses classified in the management and general group of accounts to the various program categories that were deemed to have directly benefited from those expenses.

**Definition of cash** - Cash is defined, for the purpose of the statement of cash flows, as all cash on hand, demand deposits, money market accounts, and short-term investments with maturities of three months or less.

**Dues and accounts receivable** - Dues and accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations for the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Inventory** – consist of shirts, warm-up suits, shorts, and blouses. All items are valued at the lower of cost or market

**Property assets and depreciation** – Property and equipment are recorded at acquisition cost or fair value as of the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful life of three to five years. The Organization's policy is to capitalize acquisitions of property and equipment costing in excess of \$1,000 and having a useful life exceeding one year.

Expenditures for maintenance and repairs are charged to expense as incurred, whereas, expenditures, which appreciably extend the useful life of the asset, are added to the cost of the asset.

**Functional expense** - Certain costs and expenses are allocated among the various programs and supporting service expenses based on internal records and estimates made by the Organization's management.

**Reclassification** - Certain prior-year amounts have been reclassified to conform to the current year presentation.

**NOTE 1 – PRIOR-YEAR SUMMARIZED COMPARATIVE INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – DUES AND ACCOUNTS RECEIVABLE**

Dues and accounts receivable consist of balances due from athletes, members, and state and local judo organizations. The receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has established an allowance for doubtful accounts of \$10,625 for December 31, 2012.

Dues and accounts receivable consist of:

Accounts receivable	\$ 33,304
Allowance for doubtful accounts	<u>(10,625)</u>
	<u><u>\$ 22,679</u></u>

**NOTE 3 – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment:

	<b>Total</b>
Equipment	\$ 14,419
Software	4,000
Total cost	<u>18,419</u>
Less accumulated depreciation	<u>(14,392)</u>
	<u><u>\$ 4,027</u></u>

Depreciation expense for 2012 was \$2,393.

**NOTE 4 – ACCOUNTS PAYABLE**

At December 31, 2012, \$160,740 of accounts payable balance is at least 90 day past due.

**NOTE 5 – DEFINED CONTRIBUTION PLAN**

The employees of the organization participate in a SIMPLE retirement plan. The Organization matches contributions up to 3% of the employee's compensation. The Organization contributed \$3,232 to the employee's plans during for the year ended December 31, 2012.

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – NOTE PAYABLE**

Notes payable as of December 31, 2012:

Note payable to JP Morgan Chase Bank due July 2015. Payable in quarterly principal payments of \$6,250 including interest at three month LIBOR plus 5.500 % (5.8095 % at December 31, 2012). Collateralized by all business assets and securities account. \$ 68,750

Note payable to the American Judo Fund, Inc. due in twenty-four (24) equal monthly installments including interest at the rate of 3.25% per annum. This note is unsecured. 50,000

Total 118,750  
 Less current portion (47,515)  
\$ 71,235

Interest paid for 2012 was \$5,081.

The following is a schedule of future maturities of notes payable:

<u>Years ended December 31,</u>	<u>Total</u>
2013	\$ 47,515
2014	50,336
2015	20,899
	<u>\$ 118,750</u>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Future minimum lease payments under existing non-cancelable operating leases are:

<u>Years ending December 31,</u>	<u>Total</u>
2013	\$ 12,624
2014	12,624
2015	4,208
	<u>\$ 29,456</u>

The Organization received \$5,250 of rent during the current year for lease of office space; the amount of rent received offsets current year rent expense.

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

**Consignment contingent liability** – During the year the Organization entered into an oral agreement to receive goods on consignment. Per management, the consignor was unable to provide an accurate count and valuation of the merchandise delivered to the Organization. However, the Organization has included \$29,500, amounts paid after year end, in accounts payable at year-end. Do to the uncertainty of cost and amount of consigned merchandise received during the year, management is unable to accurately calculate the actual liability associated with consigned goods, however, they have estimated the amount of consigned inventory in the Organizations possession at December 31, 2012 to be \$95,000.

The following is a summary of temporarily restricted net asset activity:

	<b>Beginning balance</b>	<b>Received</b>	<b>Satisfied</b>	<b>Ending balance</b>
Olympic Training Center program	\$ 13,451	\$ -	\$ (2,598)	\$ 10,853
Adopt an Athlete	12,936	11,370	(13,415)	10,891
Other	14,382	-	(198)	14,184
<b>Total</b>	<b>\$ 40,769</b>	<b>\$ 11,370</b>	<b>\$ (16,211)</b>	<b>\$ 35,928</b>

**Olympic Training Center Programs**

**Temporarily restricted net assets** - The Organization receives contributions specifically designated by donor for training of athletes at the Olympic Training Center.

**Adopt an Athlete/Elite Athlete Programs**

**Temporarily restricted net assets** - The Organization provides funding to specific athletes eligible to compete in judo competitions sponsored and/or sanctioned by the Organization. As such, the Organization established two programs under which the Organization accepts funds to be used for the training and support of the athlete specified by the donor. As the funds are for a specific athlete and as described in the agreements, the funds are considered to be temporarily restricted.

Under the agreements, any surplus funds remaining in the program after retirement or loss of eligibility by the specific athlete are available to other athletes in the program. Upon termination of the programs, whether or not the athletes in the program remain eligible, the funds become unrestricted funds of the Organization.

The agreement provides that the Organization is to receive 12% of the funds donated under the programs. The fee is to be used by the Organization to help defray the cost of promoting and administering the programs. The fee is to be used only for the costs of promoting the programs and the direct administration cost of the programs excluding the payment of salaries.

Under the program agreements, the Organization is not required to maintain the funds held on behalf of the athletes in a separate account. Accordingly, the funds are held within the Organization's unrestricted operating account and reflected on the Organization's internal financial statements as due to/from between the unrestricted and temporarily restricted funds.

**UNITED STATES JUDO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – RELATED PARTY TRANSACTIONS**

As of December 31, 2012, included in accounts payable was \$145,902, due to the USOC for various expenses, this represents 38% of the Organizations total accounts payable at year-end. Beginning in October 2010, the Organization rents office space from the USOC on a lease which expires in April 2015 with monthly payments of \$1,052, with annual increase not to exceed increase in regional CPI index for goods and services. The Organization is also allocated a portion of the common space cost, which the USOC provides to the Organization in the form of a grant.

The Organization received the following funding from the USOC (see Summary of Significant Accounting Policies).

NGB Funding	\$	454,614
Paraolympic		60,500
Content licensing agreement		75,000
United Airlines Value-in-Kind		40,047
Other		13,100
	\$	<u>643,261</u>

The Organization receives approximately 33% of its total public support and revenue from the USOC.

**NOTE 10 – INFORMATION RETURNS**

The Organization's information returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2012, the information returns for three prior years are considered open for Internal Revenue Service examination.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 31, 2013, the date on which the financial statements were available to be issued.

*ADDITIONAL INFORMATION*

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET  
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER

GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

Board of Directors  
United States Judo, Inc.  
Colorado Springs, Colorado

We have audited the financial statements of United States Judo, Inc. (Organization)(a nonprofit organization) as of and for the year ended December 31, 2012, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Osborne, Parsons & Rosacker LLP*

Colorado Springs, Colorado  
October 31, 2013

**UNITED STATES JUDO, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2012**  
**With Comparative Totals for 2011**

	Program	Management and general	Total	
			2012	2011
Salaries and wages	196,556	146,309	342,865	288,096
Employee benefits	548	18,507	19,055	17,302
Payroll taxes	16,442	13,641	30,083	25,089
	<u>213,546</u>	<u>178,457</u>	<u>392,003</u>	<u>330,487</u>
Lodging	300,374	1,951	302,325	237,074
Transportation	254,452	1,828	256,280	310,482
Other	122,621	39,735	162,356	18,784
Consulting	106,850	16,000	122,850	97,155
Food	99,113	1,012	100,125	21,761
Insurance	94,742	3,707	98,449	98,509
Postage and shipping	66,461	13,183	79,644	40,784
Apparel	50,900	-	50,900	24,382
Site costs	45,334	-	45,334	26,070
Coaching	44,500	-	44,500	41,505
Software processing fees	14,617	29,820	44,437	33,465
Rent	21,787	9,532	31,319	10,713
Rebates	28,278	-	28,278	17,525
Credit card processing	-	26,808	26,808	29,084
Contract labor	25,005	-	25,005	28,000
Executive travel	22,185	2,460	24,645	19,365
Supplies	14,055	9,653	23,708	12,961
Telephone	16,036	4,263	20,299	19,924
Ground transportation	12,732	7,478	20,210	13,383
Local organizing committee split	19,349	-	19,349	6,633
Small equipment	7,850	6,789	14,639	7,386
Commissions	14,000	-	14,000	14,000
Adopt an athlete program expense	13,415	-	13,415	15,210
Awards	13,052	-	13,052	23,871
Communication and public relations	11,290	-	11,290	8,774
Equipment rental	9,867	-	9,867	3,515
Printing	8,257	709	8,966	3,454
Audit and accounting	-	7,500	7,500	7,500
Per diem	7,400	-	7,400	7,120
Dues and fees	6,305	580	6,885	24,116
Security and testing	5,267	-	5,267	1,260
Interest and finance charges	-	5,081	5,081	5,530
Scholarships	5,000	-	5,000	5,000
Bad debts	-	4,463	4,463	12,000
Legal	402	3,444	3,846	1,089
Pension	1,500	1,732	3,232	3,059
Marketing	3,000	-	3,000	700
Depreciation and amortization	-	2,393	2,393	6,000
Board of Directors	-	2,018	2,018	-
Entry fees	-	-	-	305
Total expense	<u>\$ 1,679,542</u>	<u>\$ 380,596</u>	<u>\$ 2,060,138</u>	<u>\$ 1,587,935</u>