

Novak Djokovic Foundation (USA)

Financial Statements

December 31, 2012

Novak Djokovic Foundation (USA)

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TANTON
AND
COMPANY, LLP
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Novak Djokovic Foundation (USA)

We have audited the accompanying financial statements of Novak Djokovic Foundation (USA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the period from February 29, 2012 (commencement of operations) through 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 from 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 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 Novak Djokovic Foundation (USA) as of December 31, 2012, and the changes in its net assets and its cash flows for the period from February 29, 2012 (commencement of operations) through the year then ended in accordance with accounting principles generally accepted in the United States of America.

October 17, 2013
New York, NY

Tanton and Company, LLP

Tanton and Company, LLP

NOVAK DJOKOVIC FOUNDATION (USA)

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

ASSETS

Cash and cash equivalents	\$	1,093,665
Contributions receivable		137,000
Total Assets	\$	<u>1,230,665</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Expenses		7,000
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NET ASSETS

Unrestricted		1,223,665
Total Net Assets		<u>1,223,665</u>
Total Liabilities and Net Assets	\$	<u>1,230,665</u>

The accompanying notes are an integral part of these financial statements

NOVAK DJOKOVIC FOUNDATION (USA)

STATEMENT OF ACTIVITIES

FROM THE PERIOD FEBRUARY 29, 2012 (COMMENCEMENT OF OPERATIONS)
THROUGH DECEMBER 31, 2012

SUPPORT	
Annual giving	\$ 123,050
Events	1,385,143
Value of contributed services	5,000
TOTAL SUPPORT	<u>1,513,193</u>
INVESTMENT INCOME	
Other income	371
TOTAL SUPPORT AND INVESTMENT INCOME	<u>1,513,564</u>
EXPENSES	
Program	15,000
Fund raising	262,809
General and administrative	12,090
TOTAL EXPENSES	<u>289,899</u>
INCREASE IN UNRESTRICTED NET ASSETS	1,223,665
UNRESTRICTED NET ASSETS - Beginning of period	--
UNRESTRICTED NET ASSETS - End of year	<u>\$ 1,223,665</u>

The accompanying notes are an integral part of these financial statements

TANTON AND COMPANY, LLP

NOVAK DJOKOVIC FOUNDATION (USA)
STATEMENT OF CASH FLOWS
FROM THE PERIOD FEBRUARY 29, 2012
(COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2012

Cash flows from operating activities	
Increase in unrestricted net assets	\$ 1,223,665
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Contributions receivable	(137,000)
Accrued expenses	7,000
 Net cash provided by operating activities	 <u>1,093,665</u>
 Net increase in cash and cash equivalents	 1,093,665
 Cash and cash equivalents - beginning of year	 <u> </u>
 Cash and cash equivalents - end of year	 <u><u>\$ 1,093,665</u></u>

The accompanying notes are an integral part of these financial statements

TANTON AND COMPANY, LLP

NOVAK DJOKOVIC FOUNDATION (USA)
STATEMENT OF FUNCTIONAL EXPENSES

FROM THE PERIOD FEBRUARY 29, 2012 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2012

	PROGRAM	FUNDRAISING	GENERAL AND ADMINISTRATIVE	TOTAL
Contributions to NDF Serbia	\$ 15,000	\$ -	\$ -	\$ 15,000
Public Relations	--	15,000	--	15,000
Events	--	139,798	--	139,798
Bank / Credit Card Fees	--	4,090	90	4,180
Professional fees	--	57,000	12,000	69,000
Automobile expenses	--	1,439	--	1,439
Travel	--	37,825	--	37,825
Other	--	1,074	--	1,074
Publication, postage and mailings	--	6,583	--	6,583
	<u>\$ 15,000</u>	<u>\$ 262,809</u>	<u>\$ 12,090</u>	<u>\$ 289,899</u>

The accompanying notes are an integral part of these financial statements

**NOVAK DJOKOVIC FOUNDATION (USA)
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Organization and Summary of Significant Accounting Policies

Organization

The Novak Djokovic Foundation (USA) (The “Foundation”) was established on February 29, 2012 to make grants to charitable organizations to improve the quality of education in Serbia and benefit underprivileged children in Serbia.

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c) (3) and New York State Not-for-Profit Corporation Law Section 402.

Summary of Significant Accounting Policies

Basis of presentation - The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These reporting standards require the classifications of net assets and changes therein in one of three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations or by New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

Temporarily restricted net assets – Net Assets used for grants and financial assistance that is subject to donor-imposed restrictions that will be met either by actions of the Fund or passage of time. In addition, earnings on certain donor-restricted endowment funds are classified as temporarily restricted, pursuant to NYPMIFA until appropriated for spending by the Board of Directors.

Permanently restricted net assets – Net Assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor - imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

NOVAK DJOKOVIC FOUNDATION (USA)

NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies, (continued)

Contributions and grants, including unconditional promises to give, are reported in the period received as increases in unrestricted net assets unless use of the related assets is donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions in the statement of activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Pledges Receivable are unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made at their net present value. The Foundation determines whether an allowance for doubtful accounts should be provided for pledges receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent collections, and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable efforts have been exhausted.

Accounting for uncertainty in income taxes - The Foundation adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The period ending December 31, 2012 remains subject to examination by applicable taxing authority.

Cash and Cash Equivalents - Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Functional Allocation of Expenses - The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and services in reasonable ratios determined by management.

Subsequent events - The Foundation has evaluated subsequent events for disclosure and /or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 17, 2013.

NOVAK DJOKOVIC FOUNDATION (USA)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Related Party Transactions

The Foundation made contributions to The Fund during the current audit period, which amounted to approximately \$15,000.

The Foundation received approximately \$222,000 from its founding member, Novak Djokovic who currently serves as chairman of the board.

The Foundation received administrative services at no cost by a professional services firm. The Foundation estimated these services at \$5,000 for the year ended December 31, 2012.