

Novak Djokovic Foundation (USA) and Affiliate

Consolidated Financial Statements

December 31, 2013 and 2012

Novak Djokovic Foundation (USA) and Affiliate

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TANTON
AND
COMPANY, LLP
Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Novak Djokovic Foundation (USA)
New York, NY

We have audited the accompanying consolidated financial statements of Novak Djokovic Foundation (USA) (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Novak Djokovic Foundation (UK) Limited, a foreign affiliate, which statements reflect total assets of \$712,663 as of December 31, 2013, and total support and revenues of \$2,041,641, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Novak Djokovic Foundation (UK) Limited, is based solely on the report of the other auditors. 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 consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Novak Djokovic Foundation (USA) and affiliate as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidating schedule statements of financial position as of December 31, 2013, and the consolidating schedule statements of activities, and consolidating schedule statements of functional expenses for the year ended December 31, 2013 on pages 12-14 is presented for 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Tanton & Company LLP
Tanton and Company, LLP
Certified Public Accountants

November 11, 2014
New York, NY

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

	(Consolidated)	(Unconsolidated)
<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 2,463,573	\$ 1,093,665
Contributions receivable	23,424	137,000
Prepaid expenses	7,096	-
Auction items inventory	<u>67,576</u>	<u>-</u>
 Total Current Assets	 <u>2,561,669</u>	 <u>1,230,665</u>
 Total Assets	 <u>\$ 2,561,669</u>	 <u>\$ 1,230,665</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accrued Expenses	<u>\$ 29,650</u>	<u>\$ 7,000</u>
 Total Current Liabilities	 <u>29,650</u>	 <u>7,000</u>
 NET ASSETS		
Unrestricted	<u>2,532,019</u>	<u>1,223,665</u>
 Total Net Assets	 <u>2,532,019</u>	 <u>1,223,665</u>
 Total Liabilities and Net Assets	 <u>\$ 2,561,669</u>	 <u>\$ 1,230,665</u>

See Independent Auditors' Report and Notes to Financial Statements

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	(Consolidated)	(Unconsolidated)
	<u>2013</u>	<u>2012</u>
SUPPORT		
Annual giving	\$ 651,968	\$ 123,050
Events	3,080,353	1,385,143
Value of contributed services	<u>-</u>	<u>5,000</u>
TOTAL SUPPORT	<u>3,732,321</u>	<u>1,513,193</u>
EXPENSES		
Program	1,195,123	15,000
Fundraising	1,146,521	262,809
General and administrative	<u>119,349</u>	<u>12,090</u>
TOTAL EXPENSES	<u>2,460,993</u>	<u>289,899</u>
OTHER INCOME		
Interest income	1,574	371
Foreign currencies exchange gains	<u>35,452</u>	<u>-</u>
TOTAL OTHER INCOME	37,026	371
INCREASE IN UNRESTRICTED NET ASSETS	1,308,354	1,223,665
UNRESTRICTED NET ASSETS - Beginning of year	1,223,665	-
UNRESTRICTED NET ASSETS - End of year	<u>\$ 2,532,019</u>	<u>\$ 1,223,665</u>

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	(Consolidated)	(Unconsolidated)
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,308,354	\$ 1,223,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Contributions receivable	113,576	(137,000)
Prepaid expenses	(7,096)	-
Auction items inventory	(67,576)	-
Increase (decrease) in liabilities:		
Accrued expenses	<u>22,650</u>	<u>7,000</u>
Net cash provided by operating activities	<u>1,369,908</u>	<u>1,093,665</u>
Net increase in cash and cash equivalents	1,369,908	1,093,665
Cash and cash equivalents - beginning of year	<u>1,093,665</u>	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,463,573</u></u>	<u><u>\$ 1,093,665</u></u>

NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	PROGRAM	FUNDRAISING	GENERAL AND ADMINISTRATIVE	TOTALS
Contributions to Hawn Foundation	\$ 515,813	\$ -	-	\$ 515,813
Contributions to Novak Djokovic Foundation (Serbia)	679,310	-	-	679,310
Contributions to Novak Djokovic Foundation (UK) Limited	-	-	-	-
Auction items	-	54,744	-	54,744
Automobile expenses	-	4,333	-	4,333
Bank and credit card fees	-	18,677	4,473	23,150
Events	-	549,395	-	549,395
Miscellaneous	-	23,974	-	23,974
Professional fees	-	222,170	113,724	335,894
Public relations	-	28,422	-	28,422
Publication, postage and mailings	-	40,838	-	40,838
Sponsorship fee	-	122,203	-	122,203
Telephone expense	-	691	-	691
Travel	-	81,074	-	81,074
Website costs	-	-	1,152	1,152
Totals	<u>\$ 1,195,123</u>	<u>\$ 1,146,521</u>	<u>\$ 119,349</u>	<u>\$ 2,460,993</u>

TANTON AND COMPANY, LLP

NOVAK DJOKOVIC FOUNDATION (USA)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	PROGRAM	FUNDRAISING	GENERAL AND ADMINISTRATIVE	TOTALS
Contributions to Novak Djokovic Foundation (Serbia)	\$ 15,000	\$ -	\$ -	\$ 15,000
Automobile expenses	-	1,439	-	1,439
Bank and credit card fees	-	4,090	90	4,180
Events	-	139,798	-	139,798
Miscellaneous	-	1,074	-	1,074
Professional fees	-	57,000	12,000	69,000
Public Relations	-	15,000	-	15,000
Publication, postage and mailings	-	6,583	-	6,583
Travel	-	37,825	-	37,825
Totals	<u>\$ 15,000</u>	<u>\$ 262,809</u>	<u>\$ 12,090</u>	<u>\$ 289,899</u>

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

NOTE 1 - Organization and Summary of Significant Accounting Policies

Organization

The Novak Djokovic Foundation (USA) (The “Foundation”) was incorporated in Delaware on December 21, 2011 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 accounting - 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 as applicable to not-for-profit entities.

Financial statement presentation – In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205-05 *Presentation of financial Statements*, the Foundation is required to report that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of activities. No donor restrictions exist on any amounts paid to or contributed to the Foundation. As such, all statements reflect the assets and activities to be within the unrestricted class. 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 temporary 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) AND AFFILATE
NOTES TO FINANCIAL STATEMENTS**

Organization and Summary of Significant Accounting Policies, (continued)

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Novak Djokovic Foundation (USA) and its wholly owned affiliate. All significant intercompany balances and transactions have been eliminated in consolidation. The following entities are included in the consolidated financial statements:

Novak Djokovic Foundation (USA) was incorporated in Delaware on December 21, 2011. This is the USA operating foundation that receives contributions from USA citizens.

Novak Djokovic Foundation (UK) Limited is registered as a members' limited liability company and was incorporated on March 7, 2012. This is the UK operating foundation that receives contributions from UK citizens. This entity is 100% owned by the Novak Djokovic Foundation (USA).

The amounts for year and the year ended 2012 in the financial statements are unconsolidated and do not include Novak Djokovic Foundation (UK) Limited since the entity was not incorporated until March 7, 2012 and did not exist in year 2012.

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.

Foreign Currencies – Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process are recorded in Other Income on the Statement of Activities.

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.

Contributions 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.

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

Organization and Summary of Significant Accounting Policies, (continued)

Auction Items Inventory – Inventories are stated at the lower of cost or market. Cost is principally determined using the first-in, first out (FIFO) method.

Revenue Recognition - 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.

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.

Concentration of credit risk – Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash and cash equivalents. At various times, the Foundation had cash deposits, which exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit or the Depositors Insurance Fund of \$250,000. At December 31, 2013 and 2012 the Foundation had \$2,213,573 and \$843,665 respectively of cash or cash equivalent balances at risk.

Income taxes – The Foundation follows FASB ASC Topic 740, *Income Taxes*, and evaluates its income tax positions each year. The Foundation is exempt from federal income taxes under Section 501(c)(3) of Internal Revenue Code and believes it has no uncertain tax positions for open tax years. Accordingly, no provision for income taxes has been made in the financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue code. There was no unrelated business income for 2013 or 2012.

The Foundation files a Form 990 informational return with the Internal Revenue Service and a informational return with the State of New York. The years ending December 31, 2013, and 2012 remain subject to examination by applicable taxing authority.

Reclassifications - Certain accounts relating to the prior year have been reclassified to conform to the current year’s presentation for the financial statement. These reclassifications have no effect on previously reported changes in net assets.

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

Organization and Summary of Significant Accounting Policies, (continued)

Subsequent events – In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 11, 2014, the date the financial statements were issued. There were no significant subsequent events or transactions which required recognition and disclosure in the financial statements.

NOTE 2 - Related Party Transactions

The Foundation received approximately \$222,000 during the year ended December 31, 2012 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.

The Foundation made contributions to the Novak Djokovic Foundation (Serbia) of \$679,310 and \$15,000 during the years ended December 31, 2013 and 2012, respectively.

Novak Djokovic Foundation (USA) made contributions to the Novak Djokovic Foundation (UK) Limited of \$445,876 during the year ended December 31, 2013.

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE: STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013**

	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Eliminations	Novak Djokovic Foundation Consolidated
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,844,130	\$ 619,443	\$ -	\$ 2,463,573
Contributions receivable	-	23,424	-	23,424
Prepaid expenses	3,000	4,096	-	7,096
Auction items inventory	67,576	-	-	67,576
Due from Novak Djokovic Foundation (USA)	-	65,700	(65,700)	-
Total Current Assets	1,914,706	712,663	(65,700)	2,561,669
Investment in Novak Djokovic Foundation (UK) Limited	164	-	(164)	-
Total Assets	\$ 1,914,870	\$ 712,663	\$ (65,864)	\$ 2,561,669
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accrued Expenses	\$ 23,750	\$ 5,900	\$ -	\$ 29,650
Due to Novak Djokovic Foundation (UK) Limited	65,700	-	(65,700)	-
Total Current Liabilities	89,450	5,900	(65,700)	29,650
NET ASSETS				
Share capital in Novak Djokovic Foundtion (UK) Limited	-	164	(164)	-
Unrestricted	1,825,420	706,599	-	2,532,019
Total Net Assets	1,825,420	706,763	(164)	2,532,019
Total Liabilities and Net Assets	\$ 1,914,870	\$ 712,663	\$ (65,864)	\$ 2,561,669

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE: STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Eliminations	Novak Djokovic Foundation Consolidated
SUPPORT				
Annual giving	\$ 207,448	\$ 444,520	\$ -	\$ 651,968
Events	1,930,683	1,595,546	(445,876)	3,080,353
TOTAL SUPPORT	2,138,131	2,040,066	(445,876)	3,732,321
EXPENSES				
Program	1,006,540	634,459	(445,876)	1,195,123
Fundraising	503,940	642,581	-	1,146,521
General and administrative	28,624	90,725	-	119,349
TOTAL EXPENSES	1,539,104	1,367,765	(445,876)	2,460,993
OTHER INCOME				
Interest income	-	1,574	-	1,574
Foreign currencies exchange gains	2,728	32,724	-	35,452
TOTAL OTHER INCOME	2,728	34,298	-	37,026
INCREASE IN UNRESTRICTED NET ASSETS	601,755	706,599	-	1,308,354
UNRESTRICTED NET ASSETS - Beginning of year	1,223,665	-	-	1,223,665
UNRESTRICTED NET ASSETS - End of year	\$ 1,825,420	\$ 706,599	\$ -	\$ 2,532,019

NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE: STATEMENTS OF FUNCTIONAL EXPENSES
DECEMBER 31, 2013

	PROGRAM		FUNDRAISING		GENERAL AND ADMINISTRATIVE		TOTAL EXPENSES	
	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited
	\$	\$	\$	\$	\$	\$	\$	\$
Contributions to Hawn Foundation	515,813	-	-	-	-	-	515,813	-
Contributions to NDF Serbia	560,664	118,646	-	-	560,664	118,646	-	679,310
Contributions to NDF UK	445,876	-	-	-	445,876	-	(445,876)	-
Auction items	-	-	-	54,744	-	-	54,744	-
Automobile expenses	-	-	4,333	-	4,333	-	-	4,333
Bank and credit card fees	-	-	18,677	-	1,374	3,099	3,099	23,150
Events	-	-	205,771	343,624	-	-	205,771	549,395
Miscellaneous	-	-	9,045	14,929	-	-	9,045	23,974
Professional fees	-	-	79,950	142,220	27,250	86,474	107,200	335,894
Public relations	-	-	14,100	14,322	-	-	14,100	28,422
Publication, postage and mailings	-	-	22,376	18,462	-	-	22,376	40,838
Sponsorship fee	-	-	122,203	-	-	-	122,203	122,203
Telephone expense	-	-	-	691	-	-	-	691
Travel	-	-	27,485	53,589	-	-	27,485	81,074
Website costs	-	-	-	-	-	1,152	-	1,152
Totals	\$ 1,006,540	\$ 634,459	\$ 503,940	\$ 642,581	\$ 28,624	\$ 90,725	\$ 1,367,765	\$ (445,876)
								\$ 2,460,993