

Novak Djokovic Foundation (USA) and Affiliate

Consolidated Financial Statements

December 31, 2015 and 2014

Novak Djokovic Foundation (USA) and Affiliate

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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, 2015 and 2014, 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 \$4,008,797 and \$618,893 as of December 31, 2015 and 2014 respectively, and total support and revenues of \$3,929,404 and \$54,796, for the years 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, 2015 and 2014, 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, 2015, and the consolidating schedule statements of activities, and consolidating schedule statements of functional expenses for the year ended December 31, 2015 on pages 12-14 are presented for purposes of additional analysis and are 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 and Company, LLP
Tanton and Company, LLP
Certified Public Accountants

December 6, 2016
New York, NY

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	(Consolidated) <u>2015</u>	(Consolidated) <u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,456,521	\$ 1,355,294
Contributions receivable	768,219	622,006
Prepaid expenses	-	3,882
Auction items inventory	<u>27,654</u>	<u>67,576</u>
Total Current Assets	<u>5,252,394</u>	<u>2,048,758</u>
Total Assets	<u>\$ 5,252,394</u>	<u>\$ 2,048,758</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accrued Expenses	<u>\$ 73,882</u>	<u>\$ 19,767</u>
Total Current Liabilities	<u>73,882</u>	<u>19,767</u>
NET ASSETS		
Unrestricted	5,178,512	1,780,018
Temporarily Restricted	<u>-</u>	<u>248,973</u>
Total Net Assets	<u>5,178,512</u>	<u>2,028,991</u>
Total Liabilities and Net Assets	<u>\$ 5,252,394</u>	<u>\$ 2,048,758</u>

See Notes to Consolidated Financial Statements

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015 (Consolidated)</u>			(Consolidated) 2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
SUPPORT				
Contributions	\$ 4,141,741	\$ -	\$ 4,141,741	\$ 1,365,795
TOTAL SUPPORT	4,141,741	-	4,141,741	1,365,795
Amounts released from restrictions	248,973	(248,973)	-	-
Total	<u>4,390,714</u>	<u>(248,973)</u>	<u>4,141,741</u>	<u>1,365,795</u>
EXPENSES				
Program	550,062		550,062	1,638,395
Fundraising	106,304		106,304	26,688
General and administrative	170,487		170,487	159,970
TOTAL EXPENSES	<u>826,853</u>	<u>-</u>	<u>826,853</u>	<u>1,825,053</u>
OTHER INCOME (LOSS)				
Interest income	522		522	581
Auction items valuation adjustment	(39,922)		(39,922)	-
Foreign currencies exchange gains (losses)	(125,967)		(125,967)	(44,351)
TOTAL OTHER INCOME (LOSS)	<u>(165,367)</u>	<u>-</u>	<u>(165,367)</u>	<u>(43,770)</u>
CHANGE IN NET ASSETS	3,398,494	(248,973)	3,149,521	(503,028)
NET ASSETS - Beginning of year	1,780,018	248,973	2,028,991	2,532,019
NET ASSETS - End of year	<u>\$ 5,178,512</u>	<u>\$ -</u>	<u>\$ 5,178,512</u>	<u>\$ 2,028,991</u>

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	(Consolidated) <u>2015</u>	(Consolidated) <u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 3,149,521	\$ (503,028)
<i>Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:</i>		
(Increase) decrease in assets:		
Contributions receivable	(146,213)	(598,582)
Prepaid expenses	3,882	3,214
Auction items inventory	39,922	-
Increase (decrease) in liabilities:		
Accrued expenses	<u>54,115</u>	<u>(9,883)</u>
Net cash provided by (used) in operating activities	<u>3,101,227</u>	<u>(1,108,279)</u>
Net change in cash and cash equivalents	3,101,227	(1,108,279)
Cash and cash equivalents - beginning of year	<u>1,355,294</u>	<u>2,463,573</u>
Cash and cash equivalents - end of year	<u><u>\$ 4,456,521</u></u>	<u><u>\$ 1,355,294</u></u>

See Notes to Consolidated Financial Statements

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>PROGRAM</u>	<u>FUNDRAISING</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTALS</u>
Contributions to the Schools of Life Project	\$ 305,737	\$ -	\$ -	\$ 305,737
Contributions to Novak Djokovic Foundation (Serbia)	226,732	-	-	226,732
Bank and credit card fees	-	-	237	237
Salaries and related	16,813	16,813	16,813	50,439
Miscellaneous	-	-	5,021	5,021
Professional fees	-	76,387	143,680	220,067
Public relations	-	3,821	-	3,821
Publication, postage and mailings	-	-	154	154
Travel and related	780	780	782	2,342
Taxation	-	-	3,800	3,800
Website costs	-	8,503	-	8,503
Totals	<u>\$ 550,062</u>	<u>\$ 106,304</u>	<u>\$ 170,487</u>	<u>\$ 826,853</u>

See Notes to Consolidated Financial Statements

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>PROGRAM</u>	<u>FUNDRAISING</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTALS</u>
Contributions to Novak Djokovic Foundation (Serbia)	\$ 1,627,000	\$ -	\$ -	\$ 1,627,000
Other Contributions	11,395	-	-	11,395
Bank and credit card fees	-	21,387	841	22,228
Events	-	-	-	-
Miscellaneous	-	284	-	284
Professional fees	-	2,570	159,129	161,699
Telephone expense	-	-	-	-
Website costs	-	2,447	-	2,447
Totals	<u>\$ 1,638,395</u>	<u>\$ 26,688</u>	<u>\$ 159,970</u>	<u>\$ 1,825,053</u>

See Notes to Consolidated Financial Statements

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

NOTE 1 - Organization and Summary of Significant Accounting Policies

Organization

The Novak Djokovic Foundation (USA) and affiliate (The “Foundation”) was incorporated in Delaware on December 21, 2011 to award grants to fund organizations and projects in Serbia and the rest of the World that promote early childhood education and the development of young children who are from disadvantaged backgrounds. The intention is that by investing in these children and helping them to reach their full potential they will be able to bring positive changes to their communities in the future.

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 consolidated 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. 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 Foundation 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 CONSOLIDATED 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 mainly from US entities and/or tax payers but also receives donations from foreign entities and/or tax payers.

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 mainly from UK entities and/or tax payers but also receives donations from foreign entities and/or tax payers. This entity is 100% owned by the Novak Djokovic Foundation (USA).

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 (Expense) on the Statement of Activities.

Cash and Cash Equivalentents – Cash and cash equivalentents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Contributions Receivable are unconditional promises to give and 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 CONSOLIDATED 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. During the year ended December 31, 2015 a valuation adjustment amounting to \$39,922 was made to the inventory.

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 – The Foundation maintains its cash and cash equivalents at major financial institutions, which at times may exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

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 2015 or 2014.

The Foundation files a Form 990 informational return with the Internal Revenue Service as well as the State of New York. The years ending December 31, 2015, 2014 and 2013 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 December 6, 2016 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 made contributions to the Novak Djokovic Foundation (Serbia) of \$532,469 and \$1,627,000 during the years ended December 31, 2015 and 2014, respectively.

The founder of the Foundation made contributions during the year ended December 31 2015 totaling \$3,080,000. Where possible, the trustees of the Foundation have decided to meet all future governance costs from this unrestricted contribution.

NOTE 3 – Temporarily Restricted Activities

Temporarily restricted contributions were received in 2014 specifically to benefit Serbia Flood Relief. The related amounts released from restrictions represent grants made to the Novak Djokovic Foundation (Serbia) which are included as part of the amounts reported in Note 2. The temporarily restricted net asset balance as of December 31, 2014 was available to support the Serbia Flood Relief efforts and was fulfilled and released for the year ended December 31, 2015.

NOTE 4 - Concentrations

During the year ended December 31, 2015 and 2014 the Foundation received contributions from individual donors which represented 74% and 22% of total support, respectively.

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE: STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015**

	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Eliminations	Novak Djokovic Foundation Consolidated
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,339,160	\$ 3,117,361	\$ -	\$ 4,456,521
Contributions receivable	-	768,219	-	768,219
Prepaid expenses	-	-	-	-
Auction items inventory	27,654	-	-	27,654
Due from Novak Djokovic Foundation (USA)	-	123,217	(123,217)	-
Total Current Assets	1,366,814	4,008,797	(123,217)	5,252,394
Investment in Novak Djokovic Foundation (UK) Limited	164	-	(164)	-
Total Assets	\$ 1,366,978	\$ 4,008,797	\$ (123,381)	\$ 5,252,394
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accrued Expenses	\$ 45,613	\$ 28,269	\$ -	\$ 73,882
Due to Novak Djokovic Foundation (UK) Limited	123,217	-	(123,217)	-
Total Current Liabilities	168,830	28,269	(123,217)	73,882
NET ASSETS				
Share capital in Novak Djokovic Foundtion (UK) Limited	-	164	(164)	-
Unrestricted	1,198,148	3,980,364	-	5,178,512
Total Net Assets	1,198,148	3,980,528	(164)	5,178,512
Total Liabilities and Net Assets	\$ 1,366,978	\$ 4,008,797	\$ (123,381)	\$ 5,252,394

**NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE: STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Novak Djokovic Foundation (USA)	Novak Djokovic Foundation (UK) Limited	Eliminations	Novak Djokovic Foundation Consolidated
SUPPORT				
Contributions	\$ 237,894	\$ 3,929,404	\$ (25,557)	\$ 4,141,741
Events	-	-	-	-
TOTAL SUPPORT	<u>237,894</u>	<u>3,929,404</u>	<u>(25,557)</u>	<u>4,141,741</u>
EXPENSES				
Program	194,418	364,163	(8,519)	550,062
Fundraising	87,465	27,358	(8,519)	106,304
General and administrative	139,145	39,861	(8,519)	170,487
TOTAL EXPENSES	<u>421,028</u>	<u>431,382</u>	<u>(25,557)</u>	<u>826,853</u>
OTHER INCOME (EXPENSE)				
Interest income	1	521	-	522
Auction items valuation adjustment	(39,922)	-	-	(39,922)
Foreign currencies exchange gains (losses)	2,924	(128,891)	-	(125,967)
TOTAL OTHER INCOME	<u>(36,997)</u>	<u>(128,370)</u>	<u>-</u>	<u>(165,367)</u>
INCREASE IN NET ASSETS	(220,131)	3,369,652	-	3,149,521
NET ASSETS - Beginning of year	1,418,279	610,712	-	2,028,991
NET ASSETS - End of year	<u>\$ 1,198,148</u>	<u>\$ 3,980,364</u>	<u>\$ -</u>	<u>\$ 5,178,512</u>

NOVAK DJOKOVIC FOUNDATION (USA) AND AFFILIATE
 SUPPLEMENTARY INFORMATION
 CONSOLIDATING SCHEDULE: STATEMENTS OF FUNCTIONAL EXPENSES
 DECEMBER 31, 2015

	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	Novak Djokovic Foundation Consolidated		
Contributions to the Schools of Life Project	\$ -	\$ 305,737	\$ -	\$ -	\$ -	\$ -	\$ 305,737	\$ -	\$ 305,737	
Contributions to NDF Serbia	185,899	40,833	-	-	-	-	185,899	40,833	226,732	
Bank and credit card fees	-	-	-	-	-	237	-	237	237	
Salaries and related	8,519	16,813	8,519	16,813	8,519	16,813	25,557	50,439	(25,557) 50,439	
Miscellaneous	-	-	-	-	3,950	1,071	3,950	1,071	-	5,021
Professional fees	-	-	76,387	-	122,876	20,804	199,263	20,804	-	220,067
Public relations	-	-	-	3,821	-	-	-	3,821	-	3,821
Publication, postage and mailings	-	-	-	-	-	154	-	154	-	154
Travel and related	-	780	-	780	-	782	-	2,342	-	2,342
Taxation	-	-	-	-	3,800	-	3,800	-	-	3,800
Website costs	-	-	2,559	5,944	-	-	2,559	5,944	-	8,503
Totals	\$ 194,418	\$ 364,163	\$ 87,465	\$ 27,358	\$ 139,145	\$ 39,861	\$ 421,028	\$ 431,382	\$ (25,557)	\$ 826,853