

UNITED STATES AMATEUR BOXING, INC.

Financial Statements

For the Years Ended December 31, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
United States Amateur Boxing, Inc.

We have audited the accompanying statements of financial position of United States Amateur Boxing, Inc. as of December 31, 2006 and 2005 and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 United States Amateur Boxing, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP

March 30, 2007

UNITED STATES AMATEUR BOXING, INC.
 Statements of Financial Position
 December 31, 2006 and 2005

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 373,295	\$ 711,735
Accounts receivable, net	75,782	157,356
Due from Foundation		20,227
Inventory	98,785	117,272
Prepaid expenses and deposits	<u>295,005</u>	<u>481,164</u>
Total current assets	842,867	1,487,754
RESTRICTED INVESTMENTS	345,659	
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	57,650	54,966
Training equipment	<u>21,661</u>	<u>21,661</u>
	79,311	76,627
Less accumulated depreciation	<u>(51,894)</u>	<u>(42,365)</u>
Property and equipment - net	<u>27,417</u>	<u>34,262</u>
TOTAL ASSETS	<u>\$ 1,215,943</u>	<u>\$ 1,522,016</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 152,593	\$ 144,896
Accrued liabilities	30,530	37,921
Insurance deductible	70,000	70,000
Deferred revenue	<u>217,317</u>	<u>84,754</u>
Total current liabilities	470,440	337,571
NET ASSETS:		
Unrestricted	<u>745,503</u>	<u>1,184,445</u>
Total net assets	<u>745,503</u>	<u>1,184,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,215,943</u>	<u>\$ 1,522,016</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE:		
Membership	\$ 1,432,280	\$ 1,223,374
Sponsorship and marketing	640,994	1,149,877
USOC grants	459,929	647,717
United States Amateur Boxing Foundation grants	194,921	164,120
National event revenue	15,000	52,000
Merchandise sales, net of direct costs of \$7,202 and \$36,060	46,963	42,002
Other programs	38,108	25,391
Contributions	25,645	21,163
Interest income	38,725	18,458
United States Amateur Boxing Foundation management fees	12,000	12,000
Loss on disposal of equipment	<u>(1,601)</u>	
Total revenue	2,902,964	3,356,102
EXPENSES:		
Program services:		
Membership	1,448,590	1,297,149
International events	322,919	526,639
Junior programs	368,874	366,450
National events	436,054	323,641
Development programs	<u>116,667</u>	<u>140,386</u>
Total program services	2,693,104	2,654,265
Supporting services:		
General and administrative	575,544	377,168
Board of directors	70,736	91,952
Fundraising and marketing	<u>2,522</u>	<u>17,368</u>
Total supporting services	648,802	486,488
Total expenses	<u>3,341,906</u>	<u>3,140,753</u>
CHANGE IN NET ASSETS	(438,942)	215,349
NET ASSETS, beginning of year	<u>1,184,445</u>	<u>969,096</u>
NET ASSETS, end of year	<u>\$ 745,503</u>	<u>\$ 1,184,445</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (438,942)	\$ 215,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,159	10,049
Changes in assets and liabilities:		
Decrease in accounts receivable	81,574	(79,826)
Decrease in due from Foundation	20,227	(20,227)
Decrease in inventory	18,487	(34,584)
Decrease in prepaid expenses	186,159	(150,515)
Increase in accounts payable	7,697	21,090
Decrease in accrued liabilities	(7,391)	10,381
Increase in deferred revenue	132,563	17,552
Increase in insurance deductible		20,000
Decrease in due to Foundation		(3,906)
Total adjustments	<u>449,475</u>	<u>(209,986)</u>
Net cash provided by operating activities	10,533	5,363
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of property and equipment	1,601	
Acquisition of property and equipment	(4,915)	
Increase in restricted investments	<u>(345,659)</u>	
Net cash used by investing activities	<u>(348,973)</u>	
NET INCREASE (DECREASE) IN CASH	(338,440)	5,363
CASH AND CASH EQUIVALENTS, beginning of year	<u>711,735</u>	<u>706,372</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 373,295</u>	<u>\$ 711,735</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States Amateur Boxing, Inc. (Corporation) is the national governing body for boxing, making it responsible for the promotion and development of amateur boxing in the United States. During the year ended December 31, 2004, the Corporation changed its state of incorporation from Ohio to Colorado.

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose 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.

Membership Registrations

Membership registrations consist of annual and single event registrations and are recognized as revenue when earned.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of the following items at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Clothing merchandise	\$ 64,727	\$ 72,840
VIK merchandise	25,890	31,344
Gift items	6,559	10,933
Labels	1,609	2,155
	<u>\$ 98,785</u>	<u>\$ 117,272</u>

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Furniture and Equipment

Furniture and equipment is recorded at cost. All acquisitions of furniture and equipment in excess of \$1,000 are capitalized.

Depreciation is recorded using the straight-line method over estimated useful lives of five years.

Depreciation expense was \$10,159 and \$10,049 for the years ended December 31, 2006 and 2005, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in the Corporation's checking and money market accounts. The Corporation maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Corporation might only be able to recover the amounts insured.

Accounts Receivable

Accounts receivable 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, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Prior Year Comparisons

Certain reclassifications have been made to the prior year amounts in order to conform to the current year financial statement format.

Donated Services

The Corporation recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Services - continued

A substantial number of volunteers donated time to the Corporation's program services and its fund raising activities; however, the estimated value was not recorded because they did not meet the criteria described above. The Corporation received donated legal services in the amount of \$8,000 which is included in the financial statements.

Supplemental Cash Flow Disclosures

The Corporation did not pay any interest or income taxes for either of the years ended December 31, 2006 or 2005.

B. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
USOC grants	\$ 177,571	\$
Membership fees	19,944	16,763
Validation labels	19,570	21,405
Other fees	232	3,586
Foundation grants	<u> </u>	<u>43,000</u>
	<u>\$ 217,317</u>	<u>\$ 84,754</u>

C. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2006 and 2005, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2006</u>	<u>2005</u>
NGB funding	\$ 605,625	\$ 622,400
United value in kind	31,875	19,692
International relations	<u> </u>	<u>5,625</u>
	637,500	647,717
Less grants allocated to future years	<u>(177,571)</u>	<u> </u>
	<u>\$ 459,929</u>	<u>\$ 647,717</u>

The amount allocated to future years is the result of an audit of grants awarded to the Corporation.

Notes to Financial Statements

C. RELATED PARTY TRANSACTIONS - Continued

The USOC provides the Corporation with certain office facilities at no cost. No amount has been reflected in the financial statements as a cost or revenue for such facilities.

The USOC also paid stipends of \$177,000 and \$165,400 directly to athletes in 2006 and 2005, respectively.

D. UNITED STATES AMATEUR BOXING FOUNDATION

The United States Amateur Boxing Foundation (Foundation) was formed as a separate entity to operate exclusively for the benefit and support of the Corporation. The purpose of the Foundation is to raise funds and acquire assets that will enable the Corporation to encourage, improve and promote amateur boxing in the United States. The financial statements of the Foundation have not been consolidated with the Corporation since the Corporation does not control a majority of the appointments to the Foundation's Board of Directors.

The Foundation's by-laws allow for fifty percent of the net income each year to be set aside as funds available for distribution to the Corporation. At December 31, 2006, the amount available for distribution in future years was \$244,603. Upon receipt of grant requests from the Corporation, the Foundation may approve grants to the Corporation, but cannot exceed the amount that is available for distribution.

During the years ended December 31, 2006 and 2005, the Foundation provided grants of \$194,921 and \$164,120, respectively, to the Corporation. The Corporation provides certain administrative and accounting services to the Foundation for which it receives a monthly fee of \$1,000.

A summary of the Foundation's financial position and results of operations is as follows as of and for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Cash	\$ 54,113	\$ 201,916
Prepaid expense	2,747	44,984
Investments, at fair value	<u>4,088,215</u>	<u>3,662,168</u>
Total assets	<u>\$ 4,145,075</u>	<u>\$ 3,909,068</u>
Accounts payable	\$ 9	\$ 243
Due to USA Boxing		20,227
Net assets	<u>4,145,066</u>	<u>3,888,598</u>
Total liabilities and net assets	<u>\$ 4,145,075</u>	<u>\$ 3,909,068</u>

Notes to Financial Statements

D. UNITED STATES AMATEUR BOXING FOUNDATION - Continued

Investment income	\$ 479,734	\$ 239,593
General and administrative expenses	(28,345)	(46,019)
Grants to USA Boxing	<u>(194,921)</u>	<u>(164,120)</u>
Change in net assets	<u>\$ 256,468</u>	<u>\$ 29,454</u>

As of December 31, 2003, the Foundation had issued a letter of credit in the amount of \$300,000 on USA Boxing's behalf to cover future catastrophic liability claims not covered by insurance. During 2004, the Foundation issued an additional letter of credit, also in the amount of \$300,000, to cover claims made for the 2004 policy year. Claims can be made against USA Boxing's insurance policies for a period of six years or until an athlete reaches the age of 23. No claims have been made against either policy to date.

E. RESTRICTED INVESTMENTS

Restricted investments consist of certificates of deposit which have been assigned in order to insure payment of potential insurance claims. At December 31, 2006, there were two certificates of deposit bearing interest at 4.5% and 4.6%, these certificates mature May 2, 2007 and December 15, 2007.

F. PENSION PLAN

USA Boxing has a 401(k) retirement savings plan covering eligible employees. Employees may voluntarily contribute to the plan, subject to statutory limitations. USA Boxing contributes 5% of compensation for employees with one to five years of full-time employment and 10% of compensation for employees with over five years of full-time employment. All contributions vest immediately.

During the years ended December 31, 2006 and 2005, USA Boxing contributed \$23,080 and \$25,782, respectively, to the plan.

G. CONTINGENCIES

The Corporation has been named as a defendant in several lawsuits. A reserve of \$70,000 has been recorded for future claims that the Corporation feels will not be covered by insurance.

Notes to Financial Statements

H. SUBSEQUENT EVENTS

During 2003, the Corporation and A2 Holdings, LLC (A2P), entered into a sponsorship agreement (Agreement) that was amended during 2004. Very generally, the Agreement granted A2P exclusive sponsorship and media rights and license to all logos, trademarks, service marks and other intellectual property rights of the Corporation, through 2024.

A2P suspended its sponsorship payments in 2005 and indicated its wish to terminate the relationship. An agreement on the terms to end the arrangement was reached in 2007. Among other terms of the conclusion of the relationship, A2P requested and the Corporation agreed that it would contribute \$100,000 to a trust, which will be established in the name of A2P and the Corporation which will be administered by the United States Olympic Committee. Funds in the trust will be used primarily to assist qualified athletes who are preparing to qualify for, or compete in, the 2008 Olympic Games in Beijing. The USOC will establish the criteria for this assistance to qualified athletes. The Corporation also agreed to reimburse A2P \$50,000 relating, in part, to certain attorneys fees incurred by A2P and relating, in part, to advances made to the Corporation to cover expenses associated with the Corporation's 2006 membership meeting.

UNITED STATES AMATEUR BOXING, INC.
Schedule of Program Services
For the Year Ended December 31, 2006

	Membership	International Events	Junior Programs	National Events	Development Programs	Total
Airfare	\$ 19,911	\$ 185,533	\$ 141,243	\$ 35,325	\$ 5,279	\$ 387,291
Ground transportation	1,784	7,628	7,462	1,568	385	18,827
Depreciation				2,166		2,166
Bad debt expense				3,028		3,028
Travel stipends			24,751	52,598		77,349
Meals & lodging	22,707	49,209	125,013	33,925	227	231,081
Broken time		6,330	1,050	270		7,650
Per diem	2,865	25,356	20,105	(90)	225	48,461
Visas & passports		5,453	3,111	127		8,691
Entertainment		339	997			1,336
Awards & trophies	1,839	208	3,245	7,823		13,115
Gifts	3,703	4,241	740	574		9,258
Boxing supplies		1,047	462	552		2,061
Employee benefits	20,858		35	19,445		40,338
Apparel & accessories	2,340	5,282	19,363	38,141		65,126
Scholarships					44,798	44,798
USA Boxing magazine	56,278					56,278
Wages	160,887	5,906	2,953	144,676		314,422
Payroll taxes	11,441			10,835		22,276
Insurance	2,860	3,222	2,622	2,339		11,043
Contract labor	27,298	120		1,000	43,857	72,275
Advertising	212	218		2,575		3,005
Photo & video	52	40	79	92	4,760	5,023
Printing & copying	32,099		57		1,010	33,166
Postage & shipping	33,127	10,556	6,366	2,828	263	53,140
Phone & fax	3,834	2,842	2,350	2,362	2,030	13,418
Office supplies	35,603	275	263	3,322	233	39,696
Professional fees	28,317	854	5,000	1,974	10,000	46,145
Equipment & equipment rental	1,549		1,602	7,519		10,670
Athlete stipends				57,863	3,600	61,463
General liability insurance	330,247					330,247
Sports accident insurance	70,000					70,000
Catastrophic insurance	440,817					440,817
Background screening	137,210					137,210
Repairs & maintenance		201	5	(3)		203
Dues & fees	73	834		1,690		2,597
Other expense	679	7,225		1,530		9,434
	<u>\$ 1,448,590</u>	<u>\$ 322,919</u>	<u>\$ 368,874</u>	<u>\$ 436,054</u>	<u>\$ 116,667</u>	<u>\$ 2,693,104</u>

UNITED STATES AMATEUR BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2006

	<u>General and Administrative</u>	<u>Board of Directors</u>	<u>Fundraising</u>	<u>Total</u>
Airfare	\$ 23,713	\$ 15,775	\$	\$ 39,488
Ground transportation	6,548	1,624	203	8,375
Depreciation	7,993			7,993
Meals & lodging	24,674	13,771	338	38,783
Per diem	1,475	3,495	195	5,165
Visas & passports	57		9	66
Awards & trophies	394	385		779
Gifts	1,682	455	127	2,264
Employee benefits	30,601			30,601
Apparel & accessories	1,955			1,955
Wages	161,658			161,658
Payroll taxes	14,510			14,510
Insurance	11,575	29,585		41,160
Contract labor	28,164		888	29,052
Advertising	21			21
Photo & video	36	655		691
Printing & copying	4,060	1,426		5,486
Postage & shipping	5,993	1,336	94	7,423
Phone & fax	5,378	1,530	48	6,956
Office supplies	6,654	193		6,847
Professional fees	159,903		620	160,523
Equipment & equipment rental	9,085	506		9,591
Legal settlements	61,650			61,650
Repairs & maintenance	1,484			1,484
Dues & fees	3,437			3,437
Other expense	2,844			2,844
	<u>\$ 575,544</u>	<u>\$ 70,736</u>	<u>\$ 2,522</u>	<u>\$ 648,802</u>