

UNITED STATES AMATEUR BOXING, INC.

Financial Statements

For the Years Ended December 31, 2005 and 2004

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UNITED STATES AMATEUR BOXING, INC.
 Statements of Financial Position
 December 31, 2005 and 2004

<u>ASSETS</u>		
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 711,735	\$ 706,372
Accounts receivable, net	157,356	77,530
Due from Foundation	20,227	
Inventory	117,272	82,688
Prepaid expenses and deposits	<u>481,164</u>	<u>330,649</u>
Total current assets	1,487,754	1,197,239
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	54,966	61,185
Training equipment	<u>21,661</u>	<u>21,661</u>
	76,627	82,846
Less accumulated depreciation	<u>(42,365)</u>	<u>(38,534)</u>
Property and equipment - net	<u>34,262</u>	<u>44,312</u>
TOTAL ASSETS	<u>\$ 1,522,016</u>	<u>\$ 1,241,551</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 144,896	\$ 123,806
Accrued liabilities	37,921	27,540
Insurance deductible	70,000	50,000
Deferred revenue	84,754	67,203
Due to Foundation	<u> </u>	<u>3,906</u>
Total current liabilities	337,571	272,455
NET ASSETS:		
Unrestricted	<u>1,184,445</u>	<u>969,096</u>
Total net assets	<u>1,184,445</u>	<u>969,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,522,016</u>	<u>\$ 1,241,551</u>

See Notes to Financial Statements



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, 2005 and 2004 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, 2005 and 2004, 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, 2005 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
May 23 2006

UNITED STATES AMATEUR BOXING, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUE:		
Membership	\$ 1,223,374	\$ 1,445,593
Sponsorship and marketing	1,149,877	1,298,556
USOC grants	647,717	770,150
United States Amateur Boxing Foundation grants	164,120	221,797
National event revenue	52,000	298,730
Television revenue		250,000
Merchandise sales, net of direct costs of \$36,060 and \$23,241	42,002	58,663
Other programs	25,391	9,892
Contributions	21,163	9,500
Investment income	18,458	3,908
United States Amateur Boxing Foundation management fees	<u>12,000</u>	<u>12,000</u>
Total revenue	3,356,102	4,378,789
EXPENSES:		
Program services:		
Membership	1,297,149	1,434,938
International events	526,639	442,031
Junior programs	366,450	303,680
National events	323,641	483,015
Development programs	<u>140,386</u>	<u>72,196</u>
Total program services	2,654,265	2,735,860
Supporting services:		
General and administrative	377,168	350,625
Board of directors	91,952	87,259
Fundraising and marketing	<u>17,368</u>	<u>1,851</u>
Total supporting services	<u>486,488</u>	<u>439,735</u>
Total expenses	<u>3,140,753</u>	<u>3,175,595</u>
CHANGE IN NET ASSETS	215,349	1,203,194
NET ASSETS, beginning of year	<u>969,096</u>	<u>(234,098)</u>
NET ASSETS, end of year	<u>\$ 1,184,445</u>	<u>\$ 969,096</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 215,349	\$ 1,203,194
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,049	5,499
Changes in assets and liabilities:		
Increase in accounts receivable	(79,826)	319,349
Increase in due from Foundation	(20,227)	377
Increase in inventory	(34,584)	(6,173)
Increase in prepaid expenses	(150,515)	(132,068)
Increase in accounts payable	21,090	(47,498)
Increase in accrued liabilities	10,381	(1,015)
Increase in insurance deductible	20,000	
Increase in deferred revenue	17,552	(30,689)
Decrease in due to Foundation	(3,906)	2,302
Total adjustments	<u>(209,986)</u>	<u>110,084</u>
Net cash provided by operating activities	5,363	1,313,278
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of property and equipment		5,308
Acquisition of property and equipment		<u>(33,039)</u>
Net cash provided (used) by investing activities		(27,731)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in notes payable		(300,000)
Decrease in long-term debt		<u>(325,619)</u>
Net cash used by financing activities		<u>(625,619)</u>
NET INCREASE IN CASH	5,363	659,928
CASH AND CASH EQUIVALENTS, beginning of year	<u>706,372</u>	<u>46,444</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 711,735</u>	<u>\$ 706,372</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.

Notes to Financial Statements

For the Years Ended December 31, 2005 and 2004

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.

Accounts Receivable

Accounts receivable is reflected net of an allowance for doubtful accounts of \$0 and \$31,290 for the years ended December 31, 2005 and 2004, respectively.

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, 2005 and 2004:

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory - continued

	<u>2005</u>	<u>2004</u>
Clothing merchandise	\$ 72,840	\$ 28,346
VIK merchandise	31,344	42,296
Gift items	10,933	6,994
Labels	2,155	1,834
Scoring systems	<u> </u>	<u>3,218</u>
	<u>\$ 117,272</u>	<u>\$ 82,688</u>

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 \$10,049 and \$5,499 for the years ended December 31, 2005 and 2004, 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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Supplemental Cash Flow Disclosures

For purposes of the statements of cash flows, cash and cash equivalents are defined as demand deposits and short-term investments with an initial maturity of three months or less.

Cash flows from operating activities reflect interest paid of \$0 and \$4,951 during the years ended December 31, 2005 and 2004, respectively.

B. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Foundation grants	\$ 43,000	\$ 25,500
Validation labels	21,405	20,935
Membership fees	16,763	20,768
Other fees	3,586	
	<u>\$ 84,754</u>	<u>\$ 67,203</u>

C. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2005 and 2004, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2005</u>	<u>2004</u>
Performance pool	\$ 372,400	\$ 497,000
Base funding	250,000	250,000
United value in kind	19,692	
International relations	5,625	
Athlete subsistence		23,150
	<u>\$ 647,717</u>	<u>\$ 770,150</u>

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 \$165,400 and \$148,500 directly to athletes in 2005 and 2004, respectively.

In addition, the Corporation entered into a joint marketing agreement with the USOC on April 12, 2001. The term of the agreement was through December 31, 2004. The Corporation received \$60,000 during the year ended December 31, 2004, which is included in sponsorship income.

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, 2005, the amount available for distribution in future years was \$213,950. 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, 2005 and 2004, the Foundation provided grants of \$164,120 and \$221,797, 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.

Notes to Financial Statements

D. UNITED STATES AMATEUR BOXING FOUNDATION - Continued

A summary of the Foundation's financial position and results of operations is as follows as of and for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Cash	\$ 201,916	\$
Due from USA Boxing		3,906
Prepaid expense	44,984	27,484
Investments, at fair value	<u>3,662,168</u>	<u>3,827,754</u>
Total assets	<u>\$ 3,909,068</u>	<u>\$ 3,859,144</u>
Accounts payable	\$ 243	\$
Due to USA Boxing	20,227	
Net assets	<u>3,888,598</u>	<u>3,859,144</u>
Total liabilities and net assets	<u>\$ 3,909,068</u>	<u>\$ 3,859,144</u>
Investment income	\$ 239,593	\$ 395,103
General and administrative expenses	(46,019)	(26,934)
Grants to USA Boxing	<u>(164,120)</u>	<u>(221,797)</u>
Change in net assets	<u>\$ 29,454</u>	<u>\$ 146,372</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 and 2005 policy years. 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. 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, 2005 and 2004, USA Boxing contributed \$25,782 and \$26,086, respectively, to the plan.

Notes to Financial Statements

F. 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.

G. SPONSORSHIP AGREEMENT

During 2003, the Corporation and A2 Holdings, LLC (A2P), entered into a sponsorship agreement (Agreement). During 2004, certain amendments to the Agreement were made. Very generally, the Agreement grants 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 may from time to time assign or sublicense all or any portion of its rights under the Agreement. The grant is subject to certain other sponsorship agreements that were in place when the Agreement was signed. In essence, A2P is the sole sponsor of the Corporation through 2024, although A2P may unilaterally terminate the agreement.

In consideration of the exclusive rights granted to A2P, the Agreement provides A2P shall pay the Corporation an annual base amount of \$1,030,000 in 2005 and increasing annual amounts thereafter up to \$1,600,000 in 2024 (the specific yearly amounts are stated in Exhibit B to the Agreement). In addition to the annual base amount, the Agreement provides for revenue sharing between the Corporation and A2P of proceeds generated by A2P under the Agreement. The amount of the Corporation's revenue sharing, if any, cannot be determined in advance of payment. The Agreement further provides that A2P may, but is not required to, provide the Corporation with non-monetary support, the specifics of which are not stated.

A2P has the right to provide stipends to the Corporation's athletes in return for which the athlete must make certain commitments to A2P should the athlete "turn pro." The athlete is free to decline the stipend, in which case the athlete shall have no commitment to A2P. Any such arrangement is strictly between the athlete and A2P and the Corporation would not be party to any such agreement. However, any such agreement between A2P and an athlete of the Corporation is subject to all applicable national governing bodies' rules and regulations as stipends and athlete support or sponsorship agreements.

UNITED STATES AMATEUR BOXING, INC.
Schedule of Program Services
For the Year Ended December 31, 2005

	Membership	International Events	Junior Programs	National Events	Development Programs	Total
Airfare	\$ 15,528	\$ 278,229	\$ 74,398	\$ 15,783	\$ 39,799	\$ 423,737
Depreciation		2,166				2,166
Ground transportation	691	6,990	21,751	650	2,425	32,507
Travel stipends	31,018		27,476	51,530		110,024
Meals & lodging	240	108,309	191,966	4,782	5,450	310,747
Broken time	4,610	14,580	450			19,640
Per diem		50,186	19,334	426	650	70,596
Visas & passports		18,403	1,349			19,752
Entertainment		1,205	606			1,811
Grants			4,197		844	5,041
Awards & trophies	2,558	1,836	2,281	7,130	195	14,000
Gifts	6,514	7,913	3,915	636	98	19,076
Boxing supplies		314	3,834	2,846	277	7,271
Employee benefits	33,254			11,871		45,125
Apparel & accessories	8,707	3,798	416	60,491	26,000	73,412
Scholarships						26,000
USA Boxing magazine	40,982					40,982
Wages	149,516			75,591		225,107
Payroll taxes	11,438			5,936		17,374
Insurance	3,690	5,130	558	2,046		11,424
Contract labor	10,686	3,089	3,000	7,713	41,604	66,092
Advertising	1,403			1,245		2,648
Photo & video	1,636	546	45	197		2,424
Printing, copying & forms	68,493	39	769	3,089	1,892	74,282
Postage & shipping	33,809	11,644	4,999	265	324	51,041
Phone & fax	4,660	9,231	912	2,309	2,151	19,263
Office supplies	4,196	517	267	1,183	1,335	7,498
Professional fees	30,368	82	430	4,076	10,825	45,781
LBC support	6,669					6,669
Equipment & equipment rental	4,407	1,057	811	13,935	3,600	20,210
Athlete stipends				48,950		52,550
General liability insurance	221,683					221,683
Sports accident insurance	180,204					180,204
Catastrophic insurance	330,613					330,613
Insurance deductibles	86,356					86,356
Maintenance & repairs	192					192
Dues & fees	2,863	1,114	2,549	1,211	2,847	10,584
Miscellaneous	165	261	137	(250)	70	383
	<u>\$ 1,297,149</u>	<u>\$ 526,639</u>	<u>\$ 366,450</u>	<u>\$ 323,641</u>	<u>\$ 140,386</u>	<u>\$ 2,654,265</u>

UNITED STATES AMATEUR BOXING, INC.
 Schedule of Supporting Services
 For the Year Ended December 31, 2005

	General and Administrative	Board of Directors	Fundraising	Total
Airfare	\$ 21,195	\$ 18,354	\$ 7,520	\$ 47,069
Depreciation	7,883			7,883
Ground transportation	3,892	1,825	696	6,413
Meals & lodging	11,558	21,171	3,756	36,485
Broken time	270			270
Per diem	3,085	3,826	115	7,026
Awards & trophies	493	133		626
Gifts	1,111	1,152	891	3,154
Boxing supplies			234	234
Employee benefits				34,920
Apparel & accessories	34,920			34,920
Wages	179,188		1,950	1,950
Payroll taxes	13,888			179,188
Insurance	6,603	36,904		13,888
Contract labor	9,548			43,507
Advertising	250			9,548
Photo & video			25	250
Printing, copying & forms	3,195	823		25
Postage & shipping	4,786	2,558	160	4,018
Phone & fax	5,446	1,978	1,029	7,504
Office supplies	5,425	688	83	8,453
Professional fees	52,697	125		6,196
Equipment & equipment rental	648	1,790	367	52,822
Rent	5,993			2,805
Maintenance & repairs	2,070			5,993
Dues & fees	2,032	625	502	2,070
Miscellaneous	992		40	3,159
	<u>\$ 377,168</u>	<u>\$ 91,952</u>	<u>\$ 17,368</u>	<u>\$ 486,488</u>