

UNITED STATES AMATEUR BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Years Ended December 31, 2008 and 2007

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Program Services	13
Schedule of Supporting Services	14

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. (a non-profit organization) as of December 31, 2008 and 2007, 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. The prior year summarized comparative information has been derived from the Corporation's December 31, 2007 financial statements and, in our report dated June 11, 2008, we expressed an unqualified opinion on those financial statements.

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, 2008 and 2007, 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.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note J, the Corporation has a deficiency in net assets at December 31, 2008 of \$1,139,923 as a result of incurring substantial losses during the year ended December 31, 2008. These conditions raise doubt about the Corporation's ability to continue as a going concern. Management's plans regarding this matter are also described in Note J. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2008 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

April 15, 2009

UNITED STATES AMATEUR BOXING, INC.
Statement of Financial Position
December 31, 2008 and 2007
(With Comparative Amounts for 2007)

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 107,662	\$ 47,289
Accounts receivable	74,847	136,529
Due from employees	8,090	
Inventory	289,705	183,769
Prepaid expenses and deposits	506,406	445,220
Due from USA Boxing Foundation		32,565
Total current assets	986,710	845,372
RESTRICTED INVESTMENTS	455,165	533,207
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	59,217	57,905
Training equipment	29,309	21,661
	88,526	79,566
Less accumulated depreciation	(69,721)	(58,314)
Property and equipment - net	18,805	21,252
TOTAL ASSETS	\$ 1,460,680	\$ 1,399,831
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 608,504	\$ 389,410
Accrued liabilities	48,868	38,062
Insurance deductible	70,000	70,000
Line of credit	3,000	175,000
Deferred revenue	54,266	57,978
Due to USOC	12,965	38,173
Total current liabilities	797,603	768,623
DUE TO USA BOXING FOUNDATION	1,803,000	
Total liabilities	2,600,603	768,623
NET ASSETS:		
Unrestricted	(1,239,923)	631,208
Temporarily restricted	100,000	
Total net assets	(1,139,923)	631,208
TOTAL LIABILITIES AND NET ASSETS	\$ 1,460,680	\$ 1,399,831

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007
(With Comparative Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
REVENUE:				
Membership	\$ 1,722,611	\$	\$ 1,722,611	\$ 1,682,225
USOC grants	804,638		804,638	1,092,571
Sponsorship and marketing	494,962		494,962	446,980
Contributions	31,782	100,000	131,782	28,536
USOC content license agreement	97,000		97,000	97,000
National event revenue	85,842		85,842	190,000
Investment income	50,389		50,389	25,186
Merchandise sales, net of direct costs of \$9,400 and \$63,336	40,049		40,049	(11,200)
United States Amateur Boxing Foundation grants	24,500		24,500	214,593
Other programs	14,437		14,437	38,095
United States Amateur Boxing Foundation management fees	12,000		12,000	12,000
Loss on disposal of equipment				(2,408)
Total revenue	3,378,210	100,000	3,478,210	3,813,578
EXPENSES:				
Program services:				
Events	1,491,844		1,491,844	1,125,812
Membership	1,432,770		1,432,770	1,314,107
Development programs	240,873		240,873	192,840
Junior programs	214,245		214,245	263,186
Total program services	3,379,732		3,379,732	2,895,945
Supporting services:				
Fundraising and marketing	987,469		987,469	27,282
General and administrative	839,606		839,606	963,312
Board of directors	42,534		42,534	41,334
Total supporting services	1,869,609		1,869,609	1,031,928
Total expenses	5,249,341		5,249,341	3,927,873
CHANGE IN NET ASSETS	(1,871,131)	100,000	(1,771,131)	(114,295)
NET ASSETS, beginning of year	631,208		631,208	745,503
NET ASSETS, end of year	\$ (1,239,923)	\$ 100,000	\$ (1,139,923)	\$ 631,208

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,771,131)	\$ (114,295)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	11,407	9,885
Loss on disposal of equipment		2,408
Decrease (increase) in assets:		
Accounts receivable	61,682	(60,747)
Due from employees	(8,090)	
Inventory	(105,936)	(84,984)
Prepaid expenses and deposits	(61,186)	(150,215)
Due from USA Boxing Foundation	32,565	(32,565)
Increase (decrease) in liabilities:		
Accounts payable	219,094	249,205
Accrued liabilities	10,806	13,737
Deferred revenue	(3,712)	(159,339)
Due to USOC	(25,208)	19,580
Total adjustments	<u>131,422</u>	<u>(193,035)</u>
Net cash used by operating activities	(1,639,709)	(307,330)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(8,960)	(6,128)
Change in restricted investments	<u>78,042</u>	<u>(187,548)</u>
Net cash provided (used) by investing activities	69,082	(193,676)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit, net	(172,000)	175,000
Due to USA Boxing Foundation	<u>1,803,000</u>	<u> </u>
Net cash provided by financing activities	<u>1,631,000</u>	<u>175,000</u>
NET INCREASE (DECREASE) IN CASH	60,373	(326,006)
CASH AND CASH EQUIVALENTS, beginning of year	<u>47,289</u>	<u>373,295</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 107,662</u>	<u>\$ 47,289</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Notes to Financial Statements
For the Years Ended December 31, 2008 and 2007

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.

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Clothing merchandise	\$ 250,067	\$ 160,500
VIK merchandise	24,216	16,626
Gift items	13,722	4,712
Labels	<u>1,700</u>	<u>1,931</u>
	<u>\$ 289,705</u>	<u>\$ 183,769</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 \$11,407 and \$9,885 for the years ended December 31, 2008 and 2007, 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 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 any 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

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior-Year Comparisons - continued

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.

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

The Corporation paid \$5,993 and \$7,427 in interest during the years ended December 31, 2008 and 2007, respectively.

B. EMPLOYEE RECEIVABLE

During the year ended December 31, 2008, an employee inadvertently charged personal expenses on the corporate credit card. These amounts were repaid subsequent to December 31, 2008.

C. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Membership fees	\$ 24,277	\$ 7,255
Validation labels	20,489	20,723
USOC grants	9,500	
USA Boxing Foundation grants		25,000
Event deposits		5,000
	<u>\$ 54,266</u>	<u>\$ 57,978</u>

Notes to Financial Statements

D. LINE OF CREDIT

The Corporation has a \$300,000 line of credit with a commercial bank. The line of credit bears interest at a variable rate of 2.5% over the prime rate and is due December 21, 2009. At December 31, 2008, the interest rate was 5.75%. Outstanding borrowings were \$3,000 and \$175,000 at December 31, 2008 and 2007, respectively. The line of credit is unsecured.

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2008 and 2007, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2008</u>	<u>2007</u>
NGB funding	\$ 755,456	\$ 1,057,171
Value-in-kind	<u>49,182</u>	<u>35,400</u>
	<u>\$ 804,638</u>	<u>\$ 1,092,571</u>

In May 2007 the Corporation entered into a content license agreement with USOC. The term of the agreement is July 1, 2007 through December 31, 2012. The Corporation received \$97,000 during each of the years ended December 31, 2008 and 2007.

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 \$280,000 and \$189,000 directly to athletes in 2008 and 2007, respectively.

F. 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.

Notes to Financial Statements

F. UNITED STATES AMATEUR BOXING FOUNDATION - Continued

The Foundation's by-laws allow for fifty percent of the net income each year being set aside as funds available for distribution to the Corporation. At December 31, 2008, there was no amount available for distribution in future years due to investment losses. 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, 2008 and 2007, the Foundation provided grants of \$24,500 and \$214,593, 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash	\$ 67,994	\$ 60,999
Due from United States		
Amateur Boxing	1,803,000	
Prepaid expense	2,000	27,000
Investments, at fair value	<u>1,644,351</u>	<u>4,241,805</u>
Total assets	<u>\$ 3,517,345</u>	<u>\$ 4,329,804</u>
Accounts payable	\$ 30	\$ 833
Due to United States		
Amateur Boxing		32,565
Net assets	<u>3,517,315</u>	<u>4,296,406</u>
Total liabilities and net assets	<u>\$ 3,517,345</u>	<u>\$ 4,329,804</u>
Investment income (loss)	\$ (732,292)	\$ 401,072
General and administrative expenses	(22,299)	(35,139)
Grants to United States		
Amateur Boxing	<u>(24,500)</u>	<u>(214,593)</u>
Change in net assets	<u>\$ (779,091)</u>	<u>\$ 151,340</u>

Notes to Financial Statements

F. UNITED STATES AMATEUR BOXING FOUNDATION - Continued

As of December 31, 2003, the Foundation had issued a letter of credit in the amount of \$300,000 on the Corporation'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 the Corporation'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. Effective September 2008, the guarantee under both policies was reduced to \$62,500 each.

G. 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, 2008, there were two certificates of deposit bearing interest at 4.6% and one bearing interest at 3.5%. These certificates mature on May 2, 2009 and January 26, 2009.

H. PENSION PLAN

The Corporation has a 401(k) retirement savings plan covering eligible employees. Employees may voluntarily contribute to the plan, subject to statutory limitations. The Corporation 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, 2008 and 2007, the Corporation contributed \$34,756 and \$22,235, respectively, to the plan.

I. 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.

The Corporation entered into an employment agreement with a key employee for a three year term through May 2011. This agreement may require the Corporation to pay severance pay under certain conditions.

Notes to Financial Statements

J. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Foundation obtained a judgment against the Corporation. The judgment states the Corporation does not control the Foundation and is required to repay \$1,815,000 which was transferred from the Foundation in January 2008. This amount, less \$12,000 for the Foundation's service fee due the Corporation, is reflected in the accompanying financial statements as due to USA Boxing Foundation. The Corporation is in negotiations with the Foundation regarding repayment terms.

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 2006 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 established 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 2007 membership meeting.

K. DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Corporation has a deficiency of net assets at December 31, 2008 of \$1,139,923. In order to reduce this deficiency, the Corporation is taking the following actions:

- Implementing internal processes to follow up in a timely manner on all past due receivables in order to improve collections.
- Closely monitoring the budget adopted by the Board of Directors in comparison to actual expenditures and taking steps to prevent cost overruns.

Notes to Financial Statements

K. DEFICIENCY IN NET ASSETS - Continued

- Exploring other sources of revenue including grants, sponsorships and donations.
- Reducing program and administration expenses and increasing revenues in order to start accumulating reserves.
- Continued growth in membership numbers.
- Negotiations with the Foundation regarding a long-term repayment schedule of amounts owed.
- Reduction in marketing expenses for 2009. The 2008 amounts were unusual and the Corporation expects to see long-term benefits from these expenditures.

UNITED STATES AMATEUR BOXING, INC.
Schedule of Program Services
For the Year Ended December 31, 2008

	Events	Membership	Development Programs	Junior Programs	Total
Accounting	\$	\$	\$	\$	\$
Advertising	69,279				69,279
Airfare	302,599	12,531	40,263	44,268	399,661
Apparel & accessories	251,519	5,673	1,475	12,539	271,206
Awards & trophies	44,190	290		2,090	46,570
Background screening	356	81,377	30		81,763
Boxing supplies	2,948		938	1,434	5,320
Boxing USA magazine		71,480			71,480
Broken time	8,250		1,410	810	10,470
Catastrophic insurance		81,314			81,314
Contract labor	34,779	55,482	64,110	400	154,771
Dues & fees	16,698	610			17,308
Employee benefits	13,600	2,389	5,571		21,560
Entertainment	16,006		1,591	92	17,689
Equipment & equipment rental	9,483		1,490		10,973
General liability insurance		374,217	55		374,272
Gifts & protocol	15,976	3,917	1,026	516	21,435
Ground transportation	18,905	1,923	2,920	4,299	28,047
Insurance	8,480	23,483		723	32,686
LBC support		63,144			63,144
Legal fees			2,750		2,750
Meals & lodging	281,707	5,199	25,362	86,762	399,030
Office supplies	8,685	8,403	1,725	101	18,914
Other expense	6,211	1,303	4	29	7,547
Payroll taxes	14,863	14,008	2,970		31,841
Pension	6,569	5,243	510		12,322
Per diem	66,679	770	180	11,055	78,684
Phone & fax	14,239	2,005	1,756	1,626	19,626
Photo & video	1,274	1,300			2,574
Postage & shipping	11,808	27,979	3,326	3,135	46,248
Printing & copying	16,250	40,269	2,853	307	59,679
Professional services	7,665	335	15,598	10,131	33,729
Rent	36,553				36,553
Repairs & maintenance		15			15
Scholarships			27,500		27,500
Sports accident insurance		378,063			378,063
Stipends	20,833		300	33,812	54,945
Training & seminars	695	200			895
Visas & passports	16,814	337	160	116	17,427
Wages	167,931	160,161	35,000		363,092
	<u>\$ 1,491,844</u>	<u>\$ 1,432,770</u>	<u>\$ 240,873</u>	<u>\$ 214,245</u>	<u>\$ 3,379,732</u>

UNITED STATES AMATEUR BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2008

	Fundraising and Marketing	General and Administrative	Board of Directors	Total
Accounting fees	\$	\$ 7,200	\$	\$ 7,200
Advertising	12,173	979		13,152
Airfare	32,192	1,061	8,504	41,757
Apparel & accessories	5,071	1,403		6,474
Awards & trophies	325			325
Bad debts		18,860		18,860
Contract labor	79,635			79,635
Depreciation		11,407		11,407
Dues & fees	2,912	2,640		5,552
Employee benefits	10,130	33,557		43,687
Entertainment	1,377	3,864	2,700	7,941
Equipment & equipment rental	1,531	2,610		4,141
Gifts & protocol	2,129	2,168	135	4,432
Ground transportation	8,143	319	765	9,227
Insurance			13,392	13,392
Interest		5,993		5,993
Legal fees	12,319	166,624		178,943
Legal settlements		100,000		100,000
Meals & lodging	25,434	4,117	14,213	43,764
Office supplies	7,142	15,542	160	22,844
Other expense	353	2,727	21	3,101
Payroll taxes	13,218	22,846		36,064
Pension	5,217	17,217		22,434
Per diem	943	120	1,080	2,143
Phone & fax	7,018	2,872	1,050	10,940
Photo & video	15,785			15,785
Postage & shipping	11,706	2,656	514	14,876
Printing & copying	20,320			20,320
Professional services	140,656	79		140,735
Rent		5,987		5,987
Repairs & maintenance		2,340		2,340
Television advertising	411,727			411,727
Training & seminars	3,000			3,000
Wages	157,013	404,418		561,431
	<u>\$ 987,469</u>	<u>\$ 839,606</u>	<u>\$ 42,534</u>	<u>\$ 1,869,609</u>