

UNITED STATES AMATEUR BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2009

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 statement of financial position of United States Amateur Boxing, Inc. (a non-profit organization) as of December 31, 2009, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Corporation's December 31, 2008 financial statements and, in our report dated April 15, 2009 we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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, 2009, and the results of its operations and its cash flows for the year 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, 2009 of \$1,755,365 as a result of incurring substantial losses during the years ended December 31, 2009 and 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, 2009 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 13, 2010

UNITED STATES AMATEUR BOXING, INC.
Statement of Financial Position
December 31, 2009
(With Comparative Amounts for 2008)

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 100,940	\$ 107,662
Accounts receivable	132,020	74,847
Due from employees		8,090
Inventory	208,059	289,705
Prepaid expenses and deposits	<u>289,091</u>	<u>506,406</u>
Total current assets	730,110	986,710
RESTRICTED INVESTMENTS	470,000	455,165
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	60,244	59,217
Training equipment	<u>29,309</u>	<u>29,309</u>
	89,553	88,526
Less accumulated depreciation	<u>(78,993)</u>	<u>(69,721)</u>
Property and equipment - net	<u>10,560</u>	<u>18,805</u>
TOTAL ASSETS	<u>\$ 1,210,670</u>	<u>\$ 1,460,680</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 431,230	\$ 608,504
Accrued liabilities	11,434	48,868
Insurance deductible	70,000	70,000
Line of credit	298,000	3,000
Deferred revenue	48,786	54,266
Due to USOC	18,808	12,965
Current portion due to USA Boxing Foundation	<u>242,000</u>	<u> </u>
Total current liabilities	1,120,258	797,603
DUE TO USA BOXING FOUNDATION	<u>1,840,323</u>	<u>1,803,000</u>
Total liabilities	2,960,581	2,600,603
NET ASSETS:		
Unrestricted	(1,749,911)	(1,239,923)
Temporarily restricted	<u> </u>	<u>100,000</u>
Total net assets	<u>(1,749,911)</u>	<u>(1,139,923)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,210,670</u>	<u>\$ 1,460,680</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2009
(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Totals</u>	<u>2008 Totals</u>
REVENUE:				
Membership	\$ 1,897,035	\$	\$ 1,897,035	\$ 1,722,611
USOC grants	562,646		562,646	804,638
Sponsorship and marketing	111,814		111,814	494,962
USOC content license agreement	75,000		75,000	97,000
National event revenue	42,070		42,070	85,842
Contributions	15,034		15,034	131,782
Investment income	14,148		14,148	50,389
Other programs	10,830		10,830	14,437
United States Amateur Boxing Foundation management fees	8,000		8,000	12,000
Merchandise sales, net of direct costs	(11,512)		(11,512)	40,049
United States Amateur Boxing Foundation grants				24,500
Satisfied program restrictions	<u>100,000</u>	<u>(100,000)</u>		
Total revenue	2,825,065	(100,000)	2,725,065	3,478,210
EXPENSES:				
Program services:				
Membership	1,157,959		1,157,959	1,432,770
Events	1,140,159		1,140,159	1,491,844
Junior programs	84,365		84,365	214,245
Development programs	<u>16,976</u>		<u>16,976</u>	<u>240,873</u>
Total program services	2,399,459		2,399,459	3,379,732
Supporting services:				
General and administrative	617,756		617,756	839,606
Fundraising and marketing	245,712		245,712	987,469
Board of directors	<u>72,126</u>		<u>72,126</u>	<u>42,534</u>
Total supporting services	<u>935,594</u>		<u>935,594</u>	<u>1,869,609</u>
Total expenses	<u>3,335,053</u>		<u>3,335,053</u>	<u>5,249,341</u>
CHANGE IN NET ASSETS	(509,988)	(100,000)	(609,988)	(1,771,131)
NET ASSETS, beginning of year	<u>(1,239,923)</u>	<u>100,000</u>	<u>(1,139,923)</u>	<u>631,208</u>
NET ASSETS, end of year	<u>\$ (1,749,911)</u>	<u>\$</u>	<u>\$ (1,749,911)</u>	<u>\$ (1,139,923)</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statement of Cash Flows
For the Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (609,988)	\$ (1,771,131)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,272	11,407
Decrease (increase) in assets:		
Accounts receivable	(57,173)	61,682
Due from employees	8,090	(8,090)
Inventory	81,646	(105,936)
Prepaid expenses and deposits	217,315	(61,186)
Due from USA Boxing Foundation		32,565
Increase (decrease) in liabilities:		
Accounts payable	(177,274)	219,094
Accrued liabilities	(37,434)	10,806
Deferred revenue	(5,480)	(3,712)
Due to USOC	<u>5,843</u>	<u>(25,208)</u>
Total adjustments	<u>44,805</u>	<u>131,422</u>
Net cash used by operating activities	(565,183)	(1,639,709)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,027)	(8,960)
Change in restricted investments	<u>(14,835)</u>	<u>78,042</u>
Net cash provided (used) by investing activities	(15,862)	69,082
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit, net	295,000	(172,000)
Increase in due to USA Boxing Foundation	<u>279,323</u>	<u>1,803,000</u>
Net cash provided by financing activities	<u>574,323</u>	<u>1,631,000</u>
NET INCREASE (DECREASE) IN CASH	(6,722)	60,373
CASH AND CASH EQUIVALENTS, beginning of year	<u>107,662</u>	<u>47,289</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 100,940</u>	<u>\$ 107,662</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Notes to Financial Statements
For the Year Ended December 31, 2009

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.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an Interpretation of FASB Statement No. 109 (FIN 48), that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Corporation's income tax returns. The revised effective date for FIN 48 is years beginning after December 15, 2008; accordingly, the Corporation adopted the standard effective January 1, 2009.

The Corporation's income tax filings are subject to audit by various taxing authorities. The Corporation's open audit periods are 2005 - 2008. The Corporation believes that its operations have been conducted in accordance with its tax-exempt status.

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 satisfied program restrictions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Clothing merchandise	\$ 156,918	\$ 250,067
VIK merchandise	39,684	24,216
Gift items	9,900	13,722
Labels	<u>1,557</u>	<u>1,700</u>
	<u>\$ 208,059</u>	<u>\$ 289,705</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 \$9,272 and \$11,407 for the years ended December 31, 2009 and 2008, 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2008, from which the summarized information was derived.

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 \$13,338 and \$5,993 in interest during the years ended December 31, 2009 and 2008, respectively.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 13, 2010, the date that the financial statements were available to be issued.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2009 and 2008:

Assets at Fair Value as of December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 470,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 470,000</u>
	<u>\$ 470,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 470,000</u>

Assets at Fair Value as of December 31, 2008

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 455,165</u>	<u>\$</u>	<u>\$</u>	<u>\$ 455,165</u>
	<u>\$ 455,165</u>	<u>\$</u>	<u>\$</u>	<u>\$ 455,165</u>

Notes to Financial Statements

C. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Membership fees	\$ 27,306	\$ 24,277
Validation labels	21,480	20,489
USOC grants	<u>9,500</u>	<u>9,500</u>
	<u>\$ 48,786</u>	<u>\$ 54,266</u>

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 January 25, 2011. At December 31, 2009, the interest rate was 5.75%. Outstanding borrowings were \$298,000 and \$3,000 at December 31, 2009 and 2008, respectively. The line of credit is unsecured.

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2009</u>	<u>2008</u>
NGB funding	\$ 506,466	\$ 755,456
Urban development grant	9,500	
Value-in-kind	<u>46,680</u>	<u>49,182</u>
	<u>\$ 562,646</u>	<u>\$ 804,638</u>

In May 2007 the Corporation entered into a content license agreement with the USOC. The term of the agreement is July 1, 2007 through December 31, 2012. The Corporation received \$75,000 and \$97,000 during the years ended December 31, 2009 and 2008, respectively.

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 \$280,000 directly to athletes in 2009 and 2008, respectively.

Notes to Financial Statements

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.

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. During the year ended December 31, 2009, no funds were available for distribution. 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, 2009 and 2008, the Foundation provided grants of \$0 and \$24,500, respectively, to the Corporation. The Corporation provided certain administrative and accounting services to the Foundation for through August 2009 for which it received 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash	\$ 59,676	\$ 67,994
Due from United States Amateur Boxing	2,082,323	1,803,000
Prepaid expense	2,616	2,000
Investments, at fair value	<u>1,762,880</u>	<u>1,644,351</u>
Total assets	<u>\$ 3,907,495</u>	<u>\$ 3,517,345</u>
Accounts payable	\$ 800	\$ 30
Net assets	<u>3,906,695</u>	<u>3,517,315</u>
Total liabilities and net assets	<u>\$ 3,907,495</u>	<u>\$ 3,517,345</u>
Investment income (loss)	\$ 439,899	\$ (732,292)
General and administrative expenses	(50,519)	(22,299)
Grants to United States Amateur Boxing	<u> </u>	<u>(24,500)</u>
Change in net assets	<u>\$ 389,380</u>	<u>\$ (779,091)</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 February 2, 2009, the guarantee under both policies was reduced to \$62,500 each.

As of December 31, 2009, amounts due to USA Boxing Foundation consist of the following:

Note payable due in annual installments of \$100,000, beginning December 31, 2009 and continuing until paid in full. This note is non-interest bearing.	\$ 1,795,000
Note payable, due in annual installments, beginning December 31, 2010, and continuing until paid in full. This note is non-interest bearing.	<u>287,323</u>
	2,082,323
Less current portion	<u>(242,000)</u>
Long-term portion	<u>\$ 1,840,323</u>

Future minimum payments for the years ended December 31 under the current payment terms are as follows:

2010	\$ 242,000
2011	150,000
2012	150,000
2013	150,000
2014	150,000
2015 and thereafter	1,240,323

G. RESTRICTED INVESTMENTS

Restricted investments consist of certificates of deposit which have been assigned in order to insure payment of potential insurance claims.

Notes to Financial Statements

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, 2009 and 2008, the Corporation contributed \$29,158 and \$34,756, 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.

J. DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Corporation has a deficiency of net assets at December 31, 2009 of \$1,755,365. In order to reduce this deficiency, the Corporation is taking the following actions:

- Closely monitoring the budget adopted by the Board of Directors in comparison to actual expenditures and taking steps to prevent cost overruns.
- Exploring other sources of revenue including grants, sponsorships and donations.
- Reducing program, administration, personnel, and overhead expenses.
- Increasing membership dues and continued growth in membership numbers.
- Reduction or elimination of marketing expenses for 2010.
- Implementing internal processes to follow up in a timely manner on all past due receivables in order to improve collections.

UNITED STATES AMATEUR BOXING, INC.
Schedule of Program Services
For the Year Ended December 31, 2009

	<u>Membership</u>	<u>Events</u>	<u>Junior Programs</u>	<u>Development Programs</u>	<u>Total</u>
Accounting	\$ 11,260	\$	\$	\$	\$ 11,260
Advertising		27,919			27,919
Airfare	53	254,368	38,881	1,820	295,122
Apparel & accessories	4,198	64,366	23,193		91,757
Awards & trophies		4,424			4,424
Background screening	92,753				92,753
Boxing supplies		18,403	294		18,697
Broken time		1,156			1,156
Catastrophic insurance	101,250				101,250
Contract labor		36,059		400	36,459
Dues & fees	250	16,192		2,625	19,067
Employee benefits	15,156	1,727			16,883
Entertainment		135	513		648
Equipment & equipment rental	265	5,468		1,270	7,003
General liability insurance	306,625				306,625
Gifts & protocol	1,014	5,085	447	198	6,744
Ground transportation	440	36,053	853	2,092	39,438
Insurance	4,714	6,261	851		11,826
Meals & lodging	1,061	318,600	10,382	5,518	335,561
Office supplies	3,765	2,386		53	6,204
Other expense	2,882		350		3,232
Payroll taxes	10,457	9,170			19,627
Pension	6,459	2,182			8,641
Per diem		27,076	5,090	1,200	33,366
Phone & fax	1,732	7,496	1,527		10,755
Photo & video		14			14
Postage & shipping	19,238	9,016	812	918	29,984
Printing & copying	47,811	4,266		882	52,959
Professional services	13,149	913			14,062
Rent		74,590			74,590
Repairs & maintenance		105			105
Sports accident insurance	374,013				374,013
Stipends		95,557			95,557
Visas & passports		6,778	1,172		7,950
Wages	139,414	104,394			243,808
	<u>\$ 1,157,959</u>	<u>\$ 1,140,159</u>	<u>\$ 84,365</u>	<u>\$ 16,976</u>	<u>\$ 2,399,459</u>

UNITED STATES AMATEUR BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2009

	General and Administrative	Fundraising and Marketing	Board of Directors	Total
Accounting fees	\$ 7,400	\$	\$	\$ 7,400
Airfare	8,673	2,171	16,367	27,211
Apparel & accessories	1,656	1,221		2,877
Awards & trophies		32,000		32,000
Bad debts	8,454			8,454
Contract labor	12,814	19,276	33,000	65,090
Depreciation	9,272			9,272
Dues & fees	10,998			10,998
Employee benefits	23,405	9,276		32,681
Equipment & equipment rental	2,959			2,959
Gifts & protocol	571	544	180	1,295
Ground transportation	709	1,469	1,509	3,687
Insurance	101,697			101,697
Interest	13,338			13,338
Legal fees	154,936			154,936
Meals & lodging	1,901	8,302	11,795	21,998
Office supplies	5,262	5,096	470	10,828
Other expense	12,295	927	717	13,939
Payroll taxes	16,538	11,884		28,422
Pension	13,924	6,593		20,517
Per diem			1,755	1,755
Phone & fax	2,845	4,652	3,360	10,857
Photo & video		524		524
Postage & shipping	1,910	1,427	1,670	5,007
Printing & copying		2,216	330	2,546
Professional services	39	4,355	550	4,944
Rent	5,987			5,987
Repairs & maintenance	1,265	1,266		2,531
Visas & passports			423	423
Wages	198,908	132,513		331,421
	<u>\$ 617,756</u>	<u>\$ 245,712</u>	<u>\$ 72,126</u>	<u>\$ 935,594</u>