

UNITED STATES AMATEUR BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Year Ended December 31, 2010

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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, 2010, 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, 2009 financial statements and, in our report dated May 13, 2010 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, 2010, 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, 2010 of \$980,794 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and supporting services for the year ended December 31, 2010 are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements taken as a whole.

Waugh & Goodwin, LLP

May 6, 2011

UNITED STATES AMATEUR BOXING, INC.
Statement of Financial Position
December 31, 2010
(With Comparative Amounts for 2009)

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 381,182	\$ 100,940
Accounts receivable	111,056	74,988
Due from USOC	94,994	57,032
Inventory	85,375	208,059
Prepaid expenses and deposits	<u>359,553</u>	<u>289,091</u>
Total current assets	1,032,160	730,110
RESTRICTED INVESTMENTS	470,000	470,000
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	60,244	60,244
Training equipment	<u>53,159</u>	<u>29,309</u>
	113,403	89,553
Less accumulated depreciation	<u>(83,304)</u>	<u>(78,993)</u>
Property and equipment - net	<u>30,099</u>	<u>10,560</u>
TOTAL ASSETS	<u>\$ 1,532,259</u>	<u>\$ 1,210,670</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 288,959	\$ 431,230
Accrued liabilities	3,880	11,434
Insurance deductible	185,000	70,000
Line of credit	125,000	298,000
Deferred revenue	54,374	48,786
Due to USOC	23,518	18,808
Current portion due to USA Boxing Foundation	<u>142,000</u>	<u>242,000</u>
Total current liabilities	822,731	1,120,258
DUE TO USA BOXING FOUNDATION	<u>1,690,322</u>	<u>1,840,323</u>
Total liabilities	2,513,053	2,960,581
NET ASSETS:		
Unrestricted	<u>(980,794)</u>	<u>(1,749,911)</u>
Total net assets	<u>(980,794)</u>	<u>(1,749,911)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,532,259</u>	<u>\$ 1,210,670</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, 2010
(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
REVENUE:		
Membership	\$ 2,477,715	\$ 1,897,035
USOC grants	339,964	562,646
National event revenue	119,073	42,070
Sponsorship and marketing	95,334	111,814
USOC content license agreement	75,000	75,000
Merchandise sales, net of direct costs	73,912	(11,512)
Other programs	39,234	10,830
Contributions	19,135	15,034
Investment income	11,112	14,148
United States Amateur Boxing Foundation management fees		<u>8,000</u>
Total revenue	<u>3,250,479</u>	<u>2,725,065</u>
EXPENSES:		
Program services:		
Membership	1,150,155	1,157,959
Events	778,253	1,140,159
Junior programs	13,367	84,365
Development programs	<u>4,560</u>	<u>16,976</u>
Total program services	1,946,335	2,399,459
Supporting services:		
General and administrative	446,806	617,756
Fundraising and marketing	18,734	245,712
Board of directors	<u>69,487</u>	<u>72,126</u>
Total supporting services	<u>535,027</u>	<u>935,594</u>
Total expenses	<u>2,481,362</u>	<u>3,335,053</u>
CHANGE IN NET ASSETS	769,117	(609,988)
NET ASSETS, beginning of year	<u>(1,749,911)</u>	<u>(1,139,923)</u>
NET ASSETS, end of year	<u>\$ (980,794)</u>	<u>\$ (1,749,911)</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 769,117	\$ (609,988)
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,311	9,272
Decrease (increase) in assets:		
Accounts receivable	(36,068)	(141)
Due from employees		8,090
Due from USOC	(37,962)	(57,032)
Inventory	122,684	81,646
Prepaid expenses and deposits	(70,462)	217,315
Increase (decrease) in liabilities:		
Accounts payable	(142,271)	(177,274)
Accrued liabilities	(7,554)	(37,434)
Insurance deductible	115,000	
Deferred revenue	5,587	(5,480)
Due to USOC	<u>4,710</u>	<u>5,843</u>
Total adjustments	<u>(42,025)</u>	<u>44,805</u>
Net cash provided (used) by operating activities	727,092	(565,183)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(23,850)	(1,027)
Change in restricted investments		<u>(14,835)</u>
Net cash provided (used) by investing activities	(23,850)	(15,862)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit, net	(173,000)	295,000
Decrease in due to USA Boxing Foundation	<u>(250,000)</u>	<u>279,323</u>
Net cash provided (used) by financing activities	<u>(423,000)</u>	<u>574,323</u>
NET INCREASE (DECREASE) IN CASH	280,242	(6,722)
CASH AND CASH EQUIVALENTS, beginning of year	<u>100,940</u>	<u>107,662</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 381,182</u>	<u>\$ 100,940</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Notes to Financial Statements
For the Year Ended December 31, 2010

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.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740, "Income Taxes", which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Corporation's income tax returns.

The Corporation's income tax filings are subject to audit by various taxing authorities. The Corporation's open audit periods are 2007 - 2010. 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.

Membership Registrations

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Clothing merchandise	\$ 48,337	\$ 156,918
VIK merchandise	18,114	39,684
Gift items	9,323	9,900
Labels	<u>9,601</u>	<u>1,557</u>
	<u>\$ 85,375</u>	<u>\$ 208,059</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 three to five years.

Depreciation expense was \$4,311 and \$9,272 for the years ended December 31, 2010 and 2009, 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.

Supplemental Cash Flow Disclosures

The Corporation paid \$13,382 and \$13,338 in interest during the years ended December 31, 2010 and 2009, respectively.

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. Therefore no allowance for doubtful accounts is considered necessary.

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, 2009, 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.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 6, 2011, 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, 2010 and 2009:

Assets at Fair Value as of December 31, 2010

	<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, 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>

Notes to Financial Statements

C. RESTRICTED INVESTMENTS

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

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Membership fees	\$ 33,279	\$ 27,306
Validation labels	<u>21,095</u>	<u>21,480</u>
	<u>\$ 54,374</u>	<u>\$ 48,786</u>

E. LINE OF CREDIT

The Corporation had a \$300,000 line of credit with a commercial bank which matured on January 25, 2011. This line was modified and renewed as a \$125,000 line of credit. The line of credit bears interest at a variable rate of 2.5% over the prime rate with a minimum of 6.0% and is due January 25, 2012. At December 31, 2010, the interest rate was 6.00%. Outstanding borrowings were \$125,000 and \$298,000 at December 31, 2010 and 2009, respectively. The line of credit is unsecured.

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2010</u>	<u>2009</u>
NGB funding	\$ 307,511	\$ 506,466
Urban development grant		9,500
Value-in-kind	<u>32,453</u>	<u>46,680</u>
	<u>\$ 339,964</u>	<u>\$ 562,646</u>

The USOC also paid stipends of \$189,000 and \$177,000 directly to athletes in 2010 and 2009, respectively.

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 during each of the years ended December 31, 2010 and 2009.

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS - Continued

The USOC provides the Corporation with certain office facilities pursuant to a lease that began May 1, 2010 and expires April 30, 2015. The lease required the Corporation to begin paying rent on October 1, 2010 for this space. \$5,383 has been recorded as value-in-kind for the period from May 1 through September 30 for these office facilities. No amount is charged for common areas, however, \$3,808 has been reflected in the financial statements as a value-in-kind cost and revenue for the Corporation's share of common area facilities.

G. 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, 2010, 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.

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash	\$ 54,916	\$ 59,676
Due from United States		
Amateur Boxing	1,832,322	2,082,323
Prepaid expense	2,326	2,616
Investments, at fair value	<u>2,219,019</u>	<u>1,762,880</u>
Total assets	<u>\$ 4,108,583</u>	<u>\$ 3,907,495</u>
Accounts payable	\$ 800	\$ 800
Net assets	<u>4,107,783</u>	<u>3,906,695</u>
Total liabilities and net assets	<u>\$ 4,108,583</u>	<u>\$ 3,907,495</u>

Notes to Financial Statements

G. UNITED STATES AMATEUR BOXING FOUNDATION - Continued

Investment income	\$ 231,139	\$ 439,899
General and administrative expenses	<u>(30,051)</u>	<u>(50,519)</u>
Change in net assets	<u>\$ 201,088</u>	<u>\$ 389,380</u>

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, 2010, no amount was guaranteed by the Foundation.

As of December 31, 2010, 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.		\$ 1,595,000
Note payable, due in annual installments of \$50,000, beginning December 31, 2010, and continuing until paid in full. This note is non-interest bearing.		<u>237,322</u>
		1,832,322
Less current portion		<u>(142,000)</u>
Long-term portion		<u>\$ 1,690,322</u>

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

2011	\$ 142,000
2012	150,000
2013	150,000
2014	150,000
2015	150,000
2016 and thereafter	1,090,322

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, 2010 and 2009, the Corporation contributed \$9,554 and \$30,331, respectively, to the plan.

I. CONTINGENCIES

The Corporation has been named as a defendant in several lawsuits. A reserve of \$185,000 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, 2010 of \$980,794. 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.
- Reduced program, administration, personnel, and overhead expenses.
- Increased membership dues and continued growth in membership numbers.
- 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, 2010

	Membership	Events	Junior Programs	Development Programs	Total
Accounting	\$ 12,210	\$	\$	\$	\$ 12,210
Advertising		4,500			4,500
Airfare		172,617	6,608		179,225
Apparel & accessories		25,299			25,299
Athletic stipends	162				162
Awards & trophies		28,483	600		29,083
Background screening	84,583	420		117	85,120
Boxing supplies	250	2,047			2,297
Broken time		4,230			4,230
Contract labor		65,526			65,526
Dues & fees	32,478	3,839	75		36,392
Entertainment		151			151
Equipment & equipment rental	133	4,075			4,208
Forms	30,784				30,784
General liability insurance	393,313				393,313
Gifts & protocol	141	716			857
Ground transportation		6,834	1,942	639	9,415
Insurance	10,195	7,161			17,356
Meals & lodging	81	98,425	3,979	1,165	103,650
Office supplies	2,389	136,997			139,386
Other expense		2,373			2,373
Payroll taxes	12,190	2,819			15,009
Pension	6,346	362			6,708
Per diem		37,721	163		37,884
Phone & fax	247	4,336			4,583
Postage & shipping	16,716	10,024		2,639	29,379
Printing & copying		678			678
Professional services	7,500	575			8,075
Rent		35,000			35,000
Repairs & maintenance		626			626
Sports accident insurance	379,025				379,025
Stipends		81,129			81,129
Visas & passports		4,415			4,415
Wages	161,412	36,875			198,287
	<u>\$ 1,150,155</u>	<u>\$ 778,253</u>	<u>\$ 13,367</u>	<u>\$ 4,560</u>	<u>\$ 1,946,335</u>

UNITED STATES AMATEUR BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2010

	General and Administrative	Fundraising and Marketing	Board of Directors	Total
Accounting fees	\$ 8,725	\$	\$	\$ 8,725
Airfare	17,731	348	16,377	34,456
Apparel & accessories	1,575	3,075		4,650
Awards & trophies	85	11,000	110	11,195
Bad debts	5,490			5,490
Contract labor	53,091		10,000	63,091
Depreciation	4,311			4,311
Dues & fees	13,003	788	340	14,131
Employee benefits	6,841			6,841
Equipment & equipment rental	1,983		450	2,433
Gifts & protocol	1,282			1,282
Ground transportation	1,070	50	1,072	2,192
Insurance	6,748		23,418	30,166
Interest	13,382			13,382
Legal fees & settlements	104,870			104,870
Meals & lodging	5,852	127	8,517	14,496
Office supplies	1,197		304	1,501
Other expense	228	31		259
Payroll taxes	16,087	125		16,212
Pension	3,656			3,656
Per diem		200	780	980
Phone & fax	4,734	1,133	5,343	11,210
Postage & shipping	1,595	171	2,028	3,794
Printing & copying		33	270	303
Rent	17,985			17,985
Repairs & maintenance	130			130
Visas & passports			478	478
Wages	155,155	1,653		156,808
	<u>\$ 446,806</u>	<u>\$ 18,734</u>	<u>\$ 69,487</u>	<u>\$ 535,027</u>