

USA BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Boxing, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Boxing, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Boxing, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and supporting services are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements as a whole.

Wagner & Goodwin LLP
Colorado Springs, Colorado
July 7, 2017

USA BOXING, INC.
 Statements of Financial Position
 December 31, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,176,289	\$ 1,984,975
Accounts receivable, net	28,969	78,097
Due from United States		
Amateur Boxing Foundation		30,000
Inventory	319,255	273,049
Prepaid expenses and deposits	<u>37,412</u>	<u>54,735</u>
Total current assets	2,561,925	2,420,856
LONG-TERM INVESTMENTS	992,867	988,658
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	16,399	53,362
Training equipment	<u>23,798</u>	<u>55,956</u>
	40,197	109,318
Less accumulated depreciation	<u>(39,700)</u>	<u>(108,133)</u>
Property and equipment - net	<u>497</u>	<u>1,185</u>
TOTAL ASSETS	<u>\$ 3,555,289</u>	<u>\$ 3,410,699</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 251,393	\$ 284,450
Accrued liabilities	76,574	79,086
Insurance deductible	100,000	100,000
Deferred revenue	772,196	735,849
Current portion due to United States		
Amateur Boxing Foundation	100,000	100,000
Due to USOC	<u>15,839</u>	<u>104,328</u>
Total current liabilities	1,316,002	1,403,713
DUE TO UNITED STATES AMATEUR BOXING FOUNDATION	<u>895,000</u>	<u>995,000</u>
Total liabilities	2,211,002	2,398,713
NET ASSETS:		
Unrestricted	<u>1,344,287</u>	<u>1,011,986</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,555,289</u>	<u>\$ 3,410,699</u>

See Notes to Financial Statements

USA BOXING, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Membership	\$ 3,221,249	\$ 3,147,115
USOC grants	663,606	631,033
Sponsorship and marketing	281,752	306,247
Merchandise sales, net of direct costs of \$133,107 and \$115,680	155,728	120,090
National event revenue	112,206	42,231
USOC media agreement	75,000	75,000
Other programs	38,113	13,441
Investment income (loss)	25,539	(31,846)
Contributions	10,523	50,003
United States Amateur Boxing Foundation grants		<u>214,992</u>
Total revenue	<u>4,583,716</u>	<u>4,568,306</u>
EXPENSES:		
Program services:		
Development programs	1,287,489	781,633
Membership	1,228,772	1,253,530
Events	<u>1,099,407</u>	<u>1,382,984</u>
Total program services	3,615,668	3,418,147
Supporting services:		
General and administrative	363,689	387,672
Fundraising and marketing	165,737	101,614
Board of directors	<u>106,321</u>	<u>102,774</u>
Total supporting services	<u>635,747</u>	<u>592,060</u>
Total expenses	<u>4,251,415</u>	<u>4,010,207</u>
CHANGE IN NET ASSETS	332,301	558,099
NET ASSETS, beginning of year	<u>1,011,986</u>	<u>453,887</u>
NET ASSETS, end of year	<u>\$ 1,344,287</u>	<u>\$ 1,011,986</u>

See Notes to Financial Statements

USA BOXING, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 332,301	\$ 558,099
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	688	5,921
Realized and unrealized losses (gains) on investments	(6,004)	49,809
Decrease (increase) in assets:		
Accounts receivable, net	49,128	(56,923)
Due from United States Amateur Boxing Foundation	30,000	(16,585)
Inventory	(46,206)	(150,932)
Prepaid expenses and deposits	17,323	25,728
Increase (decrease) in liabilities:		
Accounts payable	(33,057)	116,091
Accrued liabilities	(2,512)	60,738
Deferred revenue	36,347	54,232
Due to USOC	(88,489)	88,046
Total adjustments	<u>(42,782)</u>	<u>176,125</u>
Net cash provided by operating activities	289,519	734,224
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of long-term investments	3,560,239	2,572,159
Purchases of long-term investments	<u>(3,558,444)</u>	<u>(2,568,895)</u>
Net cash provided by investing activities	1,795	3,264
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in due to United States Amateur Boxing Foundation	<u>(100,000)</u>	<u>(137,322)</u>
Net cash used by financing activities	<u>(100,000)</u>	<u>(137,322)</u>
NET INCREASE IN CASH	191,314	600,166
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,984,975</u>	<u>1,384,809</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,176,289</u>	<u>\$ 1,984,975</u>

See Notes to Financial Statements

USA BOXING, INC.
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA 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

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. Accordingly, no income tax provision has been recorded.

The Corporation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

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.

Prior-Year Comparisons

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

Membership Registrations

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 commercial banks. In the event of a bank failure, the Corporation might only be able to recover the amounts insured.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of the following items held for sale at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Under Armour VIK apparel	\$ 203,531	\$ 161,476
Merchandise and apparel	104,659	105,234
Labels	<u>11,065</u>	<u>6,339</u>
	<u>\$ 319,255</u>	<u>\$ 273,049</u>

Furniture and Equipment

Furniture and equipment is recorded at cost. All acquisitions of furniture and equipment with an initial cost in excess of \$1,000 and an economic life of greater than one year are capitalized.

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

Depreciation expense was \$688 and \$5,921 for the years ended December 31, 2016 and 2015, respectively.

Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2016 and 2015.

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 an allowance for doubtful accounts at December 31, 2016 and 2015, is not 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.

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 fundraising 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 Corporation has evaluated events and transactions for potential recognition or disclosure through July 7, 2017, the date that the financial statements were available to be issued.

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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

- 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.

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

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 697,253	\$	\$	\$ 697,253
Equities	262,835			262,835
Money market funds	<u>32,779</u>			<u>32,779</u>
	<u>\$ 992,867</u>	<u>\$</u>	<u>\$</u>	<u>\$ 992,867</u>

Assets at Fair Value as of December 31, 2015

Mutual funds	\$ 577,734	\$	\$	\$ 577,734
Equities	317,482			317,482
Money market funds	<u>93,442</u>			<u>93,442</u>
	<u>\$ 988,658</u>	<u>\$</u>	<u>\$</u>	<u>\$ 988,658</u>

Investment income (loss) in the accompanying statements of activities consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 19,535	\$ 17,963
Unrealized gains (losses)	17,924	(19,030)
Realized gains (losses)	<u>(11,920)</u>	<u>(30,779)</u>
	<u>\$ 25,539</u>	<u>\$ (31,846)</u>

Notes to Financial Statements

C. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Membership fees	\$ 599,955	\$ 656,215
USOC grants	172,241	72,000
Events		<u>7,634</u>
	<u>\$ 772,196</u>	<u>\$ 735,849</u>

D. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2016</u>	<u>2015</u>
NGB funding	\$ 593,671	\$ 437,419
Value-in-kind	69,935	68,614
Olympic Team Trials		<u>125,000</u>
	<u>\$ 663,606</u>	<u>\$ 631,033</u>

The USOC also paid stipends of \$155,000 directly to athletes for each of the years ended December 31, 2016 and 2015.

During the year ended December 31, 2012, the Corporation entered into a digital licensing agreement with the USOC. The term of the agreement is January 1, 2013 through December 31, 2016. The Corporation received \$75,000 during each of the years ended December 31, 2016 and 2015.

The USOC provides the Corporation with certain office facilities pursuant to a lease that began May 1, 2010 and expired April 30, 2015. This lease was extended for an additional five year term, and runs from May 1, 2015 through April 30, 2020. No amount is charged for common areas, however, \$7,426 and \$6,605 for the years ended December 31, 2016 and 2015, respectively, have been reflected in the financial statements as a value-in-kind revenue and cost for the Corporation's share of common area facilities.

The Corporation owed the USOC \$15,839 and \$104,328 at December 31, 2016 and 2015, respectively.

The Corporation recorded \$172,241 and \$72,000 as deferred revenue from the USOC at December 31, 2016 and 2015, representing unspent grant funds.

Notes to Financial Statements

D. RELATED PARTY TRANSACTIONS - Continued

The Corporation may, from time to time, compensate athlete representatives who serve on the Board of Directors pursuant to normal stipend practices in place for the Corporation. No Board Members receive compensation for their service on the Board of Directors.

E. UNITED STATES AMATEUR BOXING FOUNDATION

The United States Amateur Boxing Foundation (Foundation) was formed as a separate entity to operate 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. During the years ended December 31, 2016 and 2015, grants totaling \$0 and \$214,992 were distributed to the Corporation, respectively. 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. At December 31, 2016 and 2015, the Foundation owed the Corporation \$0 and \$30,000 for grants awarded during the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016, amounts due to United States Amateur Boxing Foundation consist of the following:

Note payable, due in annual installments of \$100,000, beginning December 31, 2009, continuing until paid in full. This note is non-interest bearing.	\$ 995,000
Less current portion	<u>(100,000)</u>
Long-term portion	<u>\$ 895,000</u>

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

2017	\$ 100,000
2018	100,000
2019	100,000
2020	100,000
2021	100,000
2022 and thereafter	395,000

Notes to Financial Statements

F. PENSION PLAN

The Corporation has a 403(b) 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, 2016 and 2015, the Corporation contributed \$50,371 and \$31,591, respectively, to the plan.

G. LEASES

As discussed in Note D, the Corporation has leased its office space from the USOC under a 60-month operating lease through April 30, 2020. This lease requires initial monthly payments of \$1,611 per month, with annual increases not to exceed the increase in the regional CPI for subsequent years.

Future minimum lease payments for the years ending December 31 are as follows:

2017	\$ 19,332
2018	19,332
2019	19,332
2020	6,444

H. CONTINGENCIES

The Corporation, at times, has claims made against their accident and liability insurance policies for injuries sustained. As of December 31, 2016 and 2015, a reserve of \$100,000 has been recorded for insurance deductibles on future claims that the Corporation estimates may not be covered by insurance.

USA BOXING, INC.
Schedule of Program Services
For the Year Ended December 31, 2016

	Development Programs	Membership	Events	Total
Accounting	\$	\$ 3,900	\$	\$ 3,900
Advertising			3,424	3,424
Airfare	144,931	50	240,842	385,823
Apparel & accessories	5,051	3,416	1,740	10,207
Awards & trophies	1,381	245	19,396	21,022
Background screening	179	124,604	130	124,913
Boxing supplies	7,927		6,822	14,749
Computer software	595		157	752
Contract labor	26,290	400	91,960	118,650
Depreciation			688	688
Dues & fees	1,986	54,926	2,174	59,086
Employee benefits	27,107			27,107
Entertainment	41,980		296	42,276
Equipment & equipment rental	64		11,326	11,390
Facilities	202		3,414	3,616
General liability insurance			3,048	3,048
Gifts & protocol		5,349		5,349
Ground transportation	9,325		22,098	31,423
Insurance	7,243	480,612	7,440	495,295
Meals & lodging	142,675	3,326	299,665	445,666
Office supplies	20,076	5,103	19,508	44,687
Other expense	3,103		1,255	4,358
Payroll taxes	28,716	16,741	12,018	57,475
Pension	16,910	14,157	2,574	33,641
Per diem	7,437	90	14,397	21,924
Phone & fax	4,705	398	922	6,025
Postage & shipping	2,632	5,169	5,734	13,535
Printing & copying	128	8,554	5,837	14,519
Relocation expense	2,500			2,500
Rent	3,665		31,817	35,482
Repairs & maintenance	932	180	661	1,773
Sports accident insurance		229,277		229,277
Stipends	188,700		90,800	279,500
Training & seminars	1,395			1,395
VIK distribution	187,777			187,777
Visas & passports	4,769		9,854	14,623
Wages	397,108	272,275	189,410	858,793
	<u>\$ 1,287,489</u>	<u>\$ 1,228,772</u>	<u>\$ 1,099,407</u>	<u>\$ 3,615,668</u>

USA BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2016

	General and Administrative	Fundraising and Marketing	Board of Directors	Total
Accounting	\$ 11,050	\$	\$	\$ 11,050
Advertising	500	3,064		3,564
Airfare	12,339	5,393	12,456	30,188
Apparel & accessories	815	13,396	3,174	17,385
Awards & trophies		27		27
Background screening	32			32
Computer software		640		640
Contract labor	35,500	41,379	81	76,960
Dues & fees	40,136	716	1,523	42,375
Employee benefits	1,028			1,028
Equipment & equipment rental			2,682	2,682
Gifts & protocol	7,340	266	1,651	9,257
Ground transportation	4,807	2,478	1,750	9,035
Insurance	10,631	4,160		14,791
Legal fees & settlements	10,767			10,767
Meals & lodging	13,120	4,239	60,147	77,506
Office supplies	5,180	10,204	137	15,521
Other expense	4,470			4,470
Payroll taxes	19,106	3,926		23,032
Pension	16,544	186		16,730
Per diem	100	2,640	1,165	3,905
Phone & fax	23,500		2,616	26,116
Photo & video	21			21
Postage & shipping	2,103	7,475	284	9,862
Printing & copying	3,644	20	124	3,788
Rent	31,830	110		31,940
Training & seminars	350			350
Wages	108,776	65,418	18,531	192,725
	<u>\$ 363,689</u>	<u>\$ 165,737</u>	<u>\$ 106,321</u>	<u>\$ 635,747</u>