

UNITED STATES AMATEUR BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Years Ended December 31, 2012 and 2011

TABLE OF CONTENTS

Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Schedule of Program Services	14
Schedule of Supporting Services	15

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Amateur Boxing, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of United States Amateur Boxing, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets 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 United States Amateur Boxing, Inc. as of December 31, 2012 and 2011, 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.

Other Matters

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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
March 2, 2013

UNITED STATES AMATEUR BOXING, INC.
 Statements of Financial Position
 December 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,050,149	\$ 938,501
Accounts receivable, net	70,814	103,067
Due from USA Boxing Foundation	66,764	9,292
Due from USOC		218,401
Inventory	41,714	47,181
Prepaid expenses and deposits	<u>82,664</u>	<u>302,857</u>
Total current assets	2,312,105	1,619,299
RESTRICTED INVESTMENTS		397,318
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	51,944	51,944
Training equipment	<u>53,699</u>	<u>53,699</u>
	105,643	105,643
Less accumulated depreciation	<u>(90,401)</u>	<u>(82,348)</u>
Property and equipment - net	<u>15,242</u>	<u>23,295</u>
TOTAL ASSETS	<u>\$ 2,327,347</u>	<u>\$ 2,039,912</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 158,516	\$ 227,449
Accrued liabilities	118,845	29,918
Insurance deductible	131,000	176,000
Line of credit		50,000
Deferred revenue	195,291	149,590
Current portion due		
to USA Boxing Foundation	150,000	150,000
Due to USOC	<u>59,597</u>	<u>37,689</u>
Total current liabilities	813,249	820,646
DUE TO USA BOXING FOUNDATION	<u>1,382,322</u>	<u>1,532,322</u>
Total liabilities	2,195,571	2,352,968
NET ASSETS:		
Unrestricted	<u>131,776</u>	<u>(313,056)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,327,347</u>	<u>\$ 2,039,912</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUE:		
Membership	\$ 2,605,885	\$ 2,480,847
USOC grants	459,835	530,885
Sponsorship and marketing	286,902	189,749
Other programs	223,679	33,779
Contributions	137,164	159,128
National event revenue	116,083	378,450
United States Amateur Boxing Foundation grants	99,500	64,297
USOC content license agreement	75,000	75,000
Merchandise sales, net of direct costs	73,012	45,707
Investment income	<u>1,744</u>	<u>800</u>
Total revenue	4,078,804	3,958,642
EXPENSES:		
Program services:		
Membership	1,151,245	1,223,196
Events	992,396	1,160,942
Development programs	<u>675,242</u>	<u>21,501</u>
Total program services	2,818,883	2,405,639
Supporting services:		
General and administrative	471,530	499,300
Fundraising and marketing	181,584	257,659
Board of directors	<u>161,975</u>	<u>128,306</u>
Total supporting services	<u>815,089</u>	<u>885,265</u>
Total expenses	<u>3,633,972</u>	<u>3,290,904</u>
CHANGE IN NET ASSETS	444,832	667,738
NET ASSETS, beginning of year	<u>(313,056)</u>	<u>(980,794)</u>
NET ASSETS, end of year	<u>\$ 131,776</u>	<u>\$ (313,056)</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 444,832	\$ 667,738
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	8,053	8,358
Decrease (increase) in assets:		
Accounts receivable	32,253	7,989
Due from USA Boxing Foundation	(57,472)	(9,292)
Due from USOC	218,401	(123,407)
Inventory	5,467	38,194
Prepaid expenses and deposits	220,193	56,696
Increase (decrease) in liabilities:		
Accounts payable	(68,933)	(61,510)
Accrued liabilities	88,927	26,038
Insurance deductible	(45,000)	(9,000)
Deferred revenue	45,701	95,216
Due to USOC	<u>21,908</u>	<u>14,171</u>
Total adjustments	<u>469,498</u>	<u>43,453</u>
Net cash provided by operating activities	914,330	711,191
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(1,554)
Change in restricted investments	<u>397,318</u>	<u>72,682</u>
Net cash provided by investing activities	397,318	71,128
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit repayments	(50,000)	(75,000)
Decrease in due to USA Boxing Foundation	<u>(150,000)</u>	<u>(150,000)</u>
Net cash used by financing activities	<u>(200,000)</u>	<u>(225,000)</u>
NET INCREASE IN CASH	1,111,648	557,319
CASH AND CASH EQUIVALENTS, beginning of year	<u>938,501</u>	<u>381,182</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,050,149</u>	<u>\$ 938,501</u>

See Notes to Financial Statements

UNITED STATES AMATEUR BOXING, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

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

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 Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009 to 2012 are subject to examination by various taxing authorities, generally for three years after the date they were 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.

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

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
VIK merchandise	\$ 25,201	\$ 23,049
Clothing merchandise	11,288	20,991
Labels	<u>5,225</u>	<u>3,141</u>
	<u>\$ 41,714</u>	<u>\$ 47,181</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 \$8,053 and \$8,358 for the years ended December 31, 2012 and 2011, 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 \$200 and \$7,629 in interest during the years ended December 31, 2012 and 2011, respectively. The Corporation paid no income taxes during the years ended December 31, 2012 and 2011.

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, 2012 and 2011 of \$7,060 and \$14,534, respectively, is 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, 2011, 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 March 2, 2013, 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 Corporation liquidated its investments in certificates of deposit during the year ended December 31, 2012. The following tables present assets that are measured at fair value on a recurring basis at December 31, 2011:

Assets at Fair Value as of December 31, 2011

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

Investments are reported in the accompanying financial statements as follows:

	<u>2012</u>	<u>2011</u>
Restricted investments	\$ _____	\$ 397,318
Cash and cash equivalents	_____	<u>72,682</u>
	<u>\$ _____</u>	<u>\$ 470,000</u>

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest	\$ <u>1,744</u>	\$ <u>800</u>

C. RESTRICTED INVESTMENTS

Restricted investments at December 31, 2011 consisted of certificates of deposit which were assigned in order to insure payment of potential insurance claims. During the year ended December 31, 2012, the Corporation's insurance carrier released the letters of credit required for potential general liability claims from prior years. These letters of credit were secured by the certificates of deposit reported in the financial statements as restricted investments. As a result of the carrier releasing these letters of credit, the restricted investments were released from restriction.

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Membership fees	\$ 177,080	\$ 136,790
Validation labels	<u>18,211</u>	<u>12,800</u>
	<u>\$ 195,291</u>	<u>\$ 149,590</u>

E. LINE OF CREDIT

At December 31, 2011, the Corporation had an unsecured line of credit in the amount of \$125,000 with a commercial bank which matured on January 25, 2012. The line of credit bears interest at a variable rate of 2.5% over an index rate with a minimum of 6.00% and was due January 25, 2012. At December 31, 2011, the interest rate was 6.00%. Outstanding borrowings were \$50,000 at December 31, 2011. This line of credit was not renewed upon maturity and the balance was paid in full.

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2012 and 2011, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2012</u>	<u>2011</u>
NGB funding	\$ 402,605	\$ 345,000
Value-in-kind	52,230	38,951
Additional subsidies	<u>5,000</u>	<u>146,934</u>
	<u>\$ 459,835</u>	<u>\$ 530,885</u>

The USOC also paid stipends of \$224,500 and \$233,000 directly to athletes in 2012 and 2011, 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, 2012 and 2011.

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. No amount is charged for common areas, however, \$4,962 for the years ended December 31, 2012 and 2011 has been reflected in the financial statements as a value-in-kind cost and revenue for the Corporation's share of common area facilities.

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.

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.

Notes to Financial Statements

G. 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. During the year ended December 31, 2012, grants totaling \$99,500 were distributed to the Corporation. 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. As of December 31, 2012, the Foundation owed \$66,764 to the Corporation for grants awarded during 2012.

As of December 31, 2012, 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.	\$ 1,395,000
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>137,322</u>
	1,532,322
Less current portion	<u>(150,000)</u>
Long-term portion	<u>\$ 1,382,322</u>

H. PENSION PLAN

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

2013	\$ 150,000
2014	150,000
2015	137,323
2016	100,000
2017	100,000
2018 and thereafter	894,999

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

Notes to Financial Statements

H. PENSION PLAN - Continued

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, 2012 and 2011, the Corporation contributed \$27,615 and \$15,893, respectively, to the plan.

I. LEASES

The Corporation has leased its office space from the USOC under a 60 month operating lease. This lease requires monthly payments of \$1,077 through April, 2015.

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

2013	\$ 12,918
2014	12,918
2015	4,308

J. CONTINGENCIES

The Corporation has been named as a defendant in several insurance based lawsuits. As of December 31, 2012 and 2011, a reserve of \$131,000 and \$176,000, respectively, has been recorded for future claims that the Corporation feels will not be covered by insurance.

UNITED STATES AMATEUR BOXING, INC.
Schedule of Program Services
For the Years Ended December 31, 2012 and 2011

	Membership	Events	Development Programs	Total
Accounting	\$ 3,705	\$	\$	\$ 3,705
Advertising			2,460	2,460
Airfare		276,397	30,671	307,068
Apparel & accessories		112	5,088	5,200
Awards & trophies	793	3,289		4,082
Background screening	90,679	134	6,883	97,696
Bad debts			3,058	3,058
Boxing supplies	67	14,733	156,031	170,831
Broken time		900		900
Catastrophic insurance		105,639		105,639
Contract labor	4,342		109,675	114,017
Depreciation		8,053		8,053
Dues & fees	88,062	1,688	1,474	91,224
Entertainment		992	42,027	43,019
Equipment & equipment rental	2,177	3,525	2,320	8,022
Facilities		24,348	595	24,943
Gifts & protocol	123	400		523
Grants	92,370			92,370
Ground transportation		13,692	3,739	17,431
Insurance	384,295	21,303	4,311	409,909
Meals & lodging	13	149,942	81,316	231,271
Office supplies	35,655	6,343	2,417	44,415
Other expense	421	148	91,780	92,349
Payroll taxes	9,365	14,325	2,925	26,615
Pension	9,559	3,908		13,467
Per diem		18,773	660	19,433
Phone & fax	40	6,169	760	6,969
Photo & video		32	5,160	5,192
Postage & shipping	11,072	8,904	9,948	29,924
Printing & copying	656	2,228	8,433	11,317
Professional services		5,241	40	5,281
Scholarships			35,000	35,000
Sports accident insurance	277,701			277,701
Stipends		8,500	31,300	39,800
Training & seminars			200	200
Visas & passports		21,906	356	22,262
Wages	140,150	270,772	36,615	447,537
	<u>\$ 1,151,245</u>	<u>\$ 992,396</u>	<u>\$ 675,242</u>	<u>\$ 2,818,883</u>

UNITED STATES AMATEUR BOXING, INC.
Schedule of Supporting Services
For the Years Ended December 31, 2012 and 2011

	General and Administrative	Fundraising and Marketing	Board of Directors	Total
Accounting fees	\$ 8,350	\$	\$	\$ 8,350
Advertising		20		20
Airfare	7,022	6,748	48,113	61,883
Awards & trophies	533			533
Boxing supplies		94		94
Contract labor	3,559	31,500	1,555	36,614
Dues & fees	7,976	209		8,185
Employee benefits	3,575	10,339		13,914
Entertainment	89			89
Equipment & equipment rental	10,745		5,750	16,495
Facilities	14,412		1,882	16,294
Gifts & protocol	3,328	66	3,476	6,870
Ground transportation	1,815	1,305	6,642	9,762
Insurance	19,787	3,214	27	23,028
Interest	200			200
Legal fees & settlements	152,903		21,456	174,359
Meals & lodging	12,407	2,209	29,970	44,586
Office supplies	7,523	437	1,583	9,543
Other expense	1,346	15,564	416	17,326
Payroll taxes	19,204	7,887		27,091
Pension	11,845	2,303		14,148
Per diem			2,175	2,175
Phone & fax	4,979	1,139	4,505	10,623
Postage & shipping	3,418	343	4,133	7,894
Printing & copying	2,079	190	55	2,324
Rent	26,946			26,946
Stipends	1,800			1,800
Training & seminars	298	257		555
Visas & passports			1,088	1,088
Wages	145,391	97,760	29,149	272,300
	<u>\$ 471,530</u>	<u>\$ 181,584</u>	<u>\$ 161,975</u>	<u>\$ 815,089</u>