



USA BOXING, INC.

**Financial Statements &
Supplemental Schedules**

For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, 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.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
May 2, 2018

USA BOXING, INC.
 Statements of Financial Position
 December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,220,948	\$ 2,176,289
Accounts receivable, net	45,040	28,969
Inventory	335,588	319,255
Prepaid expenses and deposits	<u>75,445</u>	<u>37,412</u>
Total current assets	2,677,021	2,561,925
LONG-TERM INVESTMENTS	1,120,171	992,867
PROPERTY AND EQUIPMENT:		
Office equipment and furniture	16,399	16,399
Training equipment	<u>23,798</u>	<u>23,798</u>
	40,197	40,197
Less accumulated depreciation	<u>(40,197)</u>	<u>(39,700)</u>
Property and equipment - net	<u> </u>	<u>497</u>
TOTAL ASSETS	<u>\$ 3,797,192</u>	<u>\$ 3,555,289</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 283,656	\$ 251,393
Accrued liabilities	163,705	76,574
Insurance deductible	100,000	100,000
Deferred revenue	891,565	772,196
Current portion due to United States Amateur Boxing Foundation	100,000	100,000
Due to USOC	<u>14,176</u>	<u>15,839</u>
Total current liabilities	1,553,102	1,316,002
DUE TO UNITED STATES AMATEUR BOXING FOUNDATION	<u>795,000</u>	<u>895,000</u>
Total liabilities	2,348,102	2,211,002
NET ASSETS:		
Unrestricted	<u>1,449,090</u>	<u>1,344,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,797,192</u>	<u>\$ 3,555,289</u>

See Notes to Financial Statements

USA BOXING, INC.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Membership	\$ 3,193,784	\$ 3,221,249
USOC grants	714,175	663,606
Sponsorship and marketing	306,677	281,752
Merchandise sales, net of direct costs of \$154,260 and \$133,107	191,715	155,728
Investment income	147,710	25,539
National event revenue	114,685	112,206
USOC media agreement	75,000	75,000
Other programs	50,174	38,113
United States Amateur Boxing Foundation grants	30,000	
Contributions	<u>9,675</u>	<u>10,523</u>
Total revenue	4,833,595	4,583,716
EXPENSES:		
Program services:		
Membership	1,479,510	1,228,772
Development programs	1,300,635	1,287,489
Events	<u>1,237,436</u>	<u>1,099,407</u>
Total program services	4,017,581	3,615,668
Supporting services:		
General and administrative	467,391	363,689
Board of directors	131,995	106,321
Fundraising and marketing	<u>111,825</u>	<u>165,737</u>
Total supporting services	<u>711,211</u>	<u>635,747</u>
Total expenses	<u>4,728,792</u>	<u>4,251,415</u>
CHANGE IN NET ASSETS	104,803	332,301
NET ASSETS, beginning of year	<u>1,344,287</u>	<u>1,011,986</u>
NET ASSETS, end of year	<u>\$ 1,449,090</u>	<u>\$ 1,344,287</u>

See Notes to Financial Statements

USA BOXING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 104,803	\$ 332,301
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	497	688
Realized and unrealized gains on investments	(121,215)	(6,004)
Decrease (increase) in assets:		
Accounts receivable, net	(16,071)	49,128
Due from United States Amateur Boxing Foundation		30,000
Inventory	(16,333)	(46,206)
Prepaid expenses and deposits	(38,033)	17,323
Increase (decrease) in liabilities:		
Accounts payable	32,263	(33,057)
Accrued liabilities	87,131	(2,512)
Deferred revenue	119,369	36,347
Due to USOC	<u>(1,663)</u>	<u>(88,489)</u>
Total adjustments	<u>45,945</u>	<u>(42,782)</u>
Net cash provided by operating activities	150,748	289,519
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of long-term investments	1,452,554	3,560,239
Purchases of long-term investments	<u>(1,458,643)</u>	<u>(3,558,444)</u>
Net cash provided (used) by investing activities	(6,089)	1,795
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in due to United States Amateur Boxing Foundation	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by financing activities	<u>(100,000)</u>	<u>(100,000)</u>
NET INCREASE IN CASH	44,659	191,314
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,176,289</u>	<u>1,984,975</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,220,948</u>	<u>\$ 2,176,289</u>

See Notes to Financial Statements

USA BOXING, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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.

Membership Registrations

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

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in money market funds, with an original maturity of three months or less when purchased. 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.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Under Armour VIK apparel	\$ 163,023	\$ 203,531
Merchandise and apparel	159,419	104,659
Labels	<u>13,146</u>	<u>11,065</u>
	<u>\$ 335,588</u>	<u>\$ 319,255</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 \$497 and \$688 for the years ended December 31, 2017 and 2016, respectively.

Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2017 and 2016.

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, 2017 and 2016, is not necessary.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 May 2, 2018, 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.
- 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.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 695,705	\$	\$	\$ 695,705
Mutual funds	243,219			243,219
Fixed income	121,326			121,326
Money market				
Funds	34,253			34,253
Other				
Investments	<u>25,668</u>			<u>25,668</u>
	<u>\$1,120,171</u>	<u>\$</u>	<u>\$</u>	<u>\$1,120,171</u>

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>

Investment income in the accompanying statements of activities consists of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Realized gains (losses)	\$ 104,026	\$ (11,920)
Interest and dividends	26,495	19,535
Unrealized gains	<u>17,189</u>	<u>17,924</u>
	<u>\$ 147,710</u>	<u>\$ 25,539</u>

C. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Membership fees	\$ 790,220	\$ 599,955
USOC grants	<u>101,345</u>	<u>172,241</u>
	<u>\$ 891,565</u>	<u>\$ 772,196</u>

Notes to Financial Statements

D. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, the United States Olympic Committee (USOC) provided revenue to the Corporation under the following categories:

	<u>2017</u>	<u>2016</u>
NGB funding	\$ 652,874	\$ 593,671
Value-in-kind	57,419	69,935
Other grants	<u>3,882</u>	<u> </u>
	<u>\$ 714,175</u>	<u>\$ 663,606</u>

The USOC also paid stipends of \$192,384 and \$155,000 directly to athletes for the years ended December 31, 2017 and 2016, respectively.

During the year ended December 31, 2012, the Corporation entered into a digital licensing agreement with the USOC. The initial term of the agreement was January 1, 2013 through December 31, 2016. The Corporation signed an amended agreement with the USOC that extends the term of the agreement through December 31, 2020. The Corporation received \$75,000 during each of the years ended December 31, 2017 and 2016.

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 for both years ended December 31, 2017 and 2016, has 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 \$14,176 and \$15,839 at December 31, 2017 and 2016, respectively.

The Corporation recorded \$101,345 and \$172,241 as deferred revenue from the USOC at December 31, 2017 and 2016, respectively, representing unspent grant funds.

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.

Notes to Financial Statements

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, 2017 and 2016, grants totaling \$30,000 and \$0 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, 2017 and 2016, the Foundation did not owe the Corporation any amounts for grants awarded during the years ended December 31, 2017 and 2016.

As of December 31, 2017, 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.	\$ 895,000
Less current portion	<u>(100,000)</u>
Long-term portion	<u>\$ 795,000</u>

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

2018	\$ 100,000
2019	100,000
2020	100,000
2021	100,000
2022	100,000
2023 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, 2017 and 2016, the Corporation contributed \$47,146 and \$50,371, 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:

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, 2017 and 2016, 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, 2017

	Membership	Development Programs	Events	Total
Accounting	\$ 2,310	\$	\$	\$ 2,310
Advertising			3,427	3,427
Airfare	14,206	185,045	344,083	543,334
Apparel & accessories	119	2,651	29,546	32,316
Awards & trophies	823		38,193	39,016
Background screening	141,753	16	32	141,801
Boxing supplies		5,739	6,751	12,490
Computer software			2,256	2,256
Contract labor	2,050	57,790	84,009	143,849
Depreciation			450	450
Dues & fees	103,287	1,066	5,139	109,492
Employee benefits	25,013	35,406	199	60,618
Entertainment		1,455	162	1,617
Equipment & equipment rental		31,469	29,582	61,051
Facilities	90	1,911	11,219	13,220
Gifts & protocol	5,280		12,956	18,236
Ground transportation	1,775	6,422	12,354	20,551
Guarantees	101			101
Insurance	509,135	3,805	2,899	515,839
Legal	1,000			1,000
Meals & lodging	39,959	104,175	346,802	490,936
Office supplies	21,089	23,931	26,467	71,487
Other expense	1,000	384	(11,950)	(10,566)
Payroll taxes	20,918	32,948	3,335	57,201
Pension	17,261	15,110		32,371
Per diem	323	15,689	23,421	39,433
Phone & fax	185	5,412	2,041	7,638
Postage & shipping	10,198	3,044	16,273	29,515
Printing & copying	18,354	1,187	7,917	27,458
Professional services		32,500	12,041	44,541
Relocation expense		7,000		7,000
Rent		4,394	31,252	35,646
Scholarships		30,000		30,000
Sports accident insurance	234,780			234,780
Stipends		5,000	102,950	107,950
Training & seminars	99	2,480		2,579
VIK distribution		232,526	28,574	261,100
Visas & passports		775	1,771	2,546
Wages	308,402	451,305	63,285	822,992
	<u>\$ 1,479,510</u>	<u>\$ 1,300,635</u>	<u>\$ 1,237,436</u>	<u>\$ 4,017,581</u>

USA BOXING, INC.
Schedule of Supporting Services
For the Year Ended December 31, 2017

	General and Administrative	Board of Directors	Fundraising and Marketing	Total
Accounting	\$ 11,100	\$	\$	\$ 11,100
Advertising			3,684	3,684
Airfare	12,882	17,433	4,391	34,706
Apparel & accessories	2,183	577	503	3,263
Awards & trophies	55			55
Background screening	160	16		176
Computer software	316		549	865
Contract labor	1,013	65,000	7,393	73,406
Depreciation	47			47
Dues & fees	32,608		705	33,313
Education		675		675
Employee benefits	24,120		4,361	28,481
Entertainment	117			117
Facilities		75		75
Gifts & protocol	5,920	1,635		7,555
Ground transportation	2,514	2,277	842	5,633
Legal fees	28,359			28,359
Meals & lodging	13,304	27,788	1,913	43,005
Office supplies	4,205	1,880	7,487	13,572
Other expense			2,515	2,515
Payroll taxes	24,695		4,173	28,868
Pension	13,862		913	14,775
Per diem	2,813	405	1,050	4,268
Phone & fax	28,893	2,798	166	31,857
Photo & video			64	64
Postage & shipping	2,274	246	8,844	11,364
Printing & copying	1,567	198	1,924	3,689
Rent	30,879		1,618	32,497
Training & seminars	572		89	661
Wages	222,933	10,992	58,641	292,566
	<u>\$ 467,391</u>	<u>\$ 131,995</u>	<u>\$ 111,825</u>	<u>\$ 711,211</u>