

**USA BOXING, INC.**  
**Financial Statements**  
**For the Year Ended December 31, 2018**

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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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. 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 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, 2018, 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 Summarized Comparative Information**

We have previously audited USA Boxing, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Emphasis of Matters**

As described in Note A to the financial statements, in 2018, USA Boxing, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

As described in Note J to the financial statements, USA Boxing, Inc. enacted a change in accounting estimate in regards to the valuation of value-in-kind apparel received. The change has been applied prospectively and had a net effect resulting in a decrease in net assets of \$163,023 during the year ended December 31, 2018.

*Waugh & Goodwin, LLP*  
Colorado Springs, Colorado  
August 16, 2019

USA BOXING, INC.  
Statement of Financial Position  
December 31, 2018  
(With Comparative Amounts for 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,129,307	\$ 2,220,948
Accounts receivable	34,930	45,040
Due from USOPC	3,200	
Inventory	388,548	335,588
Prepaid expenses	52,351	75,445
Other assets	<u>2,000</u>	
Total current assets	1,610,336	2,677,021
LONG-TERM INVESTMENTS	948,202	1,120,171
<b>PROPERTY AND EQUIPMENT:</b>		
Office equipment and furniture	16,399	16,399
Training equipment	37,832	23,798
Less accumulated depreciation	<u>(40,197)</u>	<u>(40,197)</u>
Property and equipment - net	<u>14,034</u>	
<b>TOTAL ASSETS</b>	<u>\$ 2,572,572</u>	<u>\$ 3,797,192</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 307,860	\$ 283,656
Accrued liabilities	76,807	163,705
Insurance deductible	100,000	100,000
Deferred revenue	840,054	891,565
Current portion due to United States		
Amateur Boxing Foundation	100,000	100,000
Due to USOPC	<u>17,436</u>	<u>14,176</u>
Total current liabilities	1,442,157	1,553,102
<b>DUE TO UNITED STATES AMATEUR BOXING FOUNDATION</b>	<u>695,000</u>	<u>795,000</u>
Total liabilities	2,137,157	2,348,102
<b>NET ASSETS:</b>		
Net assets without donor restrictions	<u>435,415</u>	<u>1,449,090</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,572,572</u>	<u>\$ 3,797,192</u>

See Notes to Financial Statements

USA BOXING, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018  
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
<b>REVENUE:</b>		
Membership	\$ 3,455,194	\$ 3,193,784
USOPC grants	747,620	714,175
Sponsorship and marketing	330,403	306,677
National event revenue	278,764	114,685
Merchandise & equipment sales, net of direct costs of \$222,497 and \$154,260	235,271	191,715
United States Amateur Boxing Foundation grants	209,638	30,000
USOPC media agreement	75,000	75,000
Other programs	39,918	50,174
Contributions	6,004	9,675
Investment income (loss)	<u>(31,236)</u>	<u>147,710</u>
Total revenue	5,346,576	4,833,595
<b>EXPENSES:</b>		
Program services:		
Events	2,117,845	1,237,436
Development/high performance programs	1,809,245	1,300,635
Membership	<u>1,565,748</u>	<u>1,479,510</u>
Total program services	5,492,838	4,017,581
Supporting services:		
General and administrative	476,406	467,391
Fundraising and marketing	211,811	111,825
Board of directors	<u>179,196</u>	<u>131,995</u>
Total supporting services	<u>867,413</u>	<u>711,211</u>
Total expenses	<u>6,360,251</u>	<u>4,728,792</u>
CHANGE IN NET ASSETS	(1,013,675)	104,803
NET ASSETS, beginning of year	<u>1,449,090</u>	<u>1,344,287</u>
NET ASSETS, end of year	<u>\$ 435,415</u>	<u>\$ 1,449,090</u>

See Notes to Financial Statements

	General and Administrative	Fundraising and Marketing	Board of Directors	Total Supporting Services	2018 Total Expenses	2017 Total Expenses
Accounting	\$ 12,250	\$	\$	\$ 12,250	\$ 14,560	\$ 13,410
Advertising		5,507		5,507	6,586	7,111
Apparel & accessories		802		802	36,066	35,579
Awards & trophies			400	400	51,382	39,071
Background screening	16	86		102	142,301	141,977
Boxing supplies					18,040	12,490
Computer software	180	100		280	280	3,121
Contract labor	348	2,813	76,350	79,511	423,882	217,255
Depreciation					497	
Dues & fees	26,939	1,997	176	29,112	268,884	142,805
Education, training & seminars	1,208	655	178	2,041	6,071	3,915
Employee benefits	13,045	9,200		22,245	95,102	89,099
Entertainment	112			112	4,613	1,734
Equipment purchases & rental		2,303		2,303	76,010	61,051
Facilities					28,105	13,295
Gifts & protocol	5,384			5,384	38,527	25,791
Insurance					537,847	515,839
Legal	66,450		2,820	69,270	69,270	29,359
Merchandise purchases					184,113	154,260
Office supplies	10,933	10,081	3,601	24,615	102,154	85,059
Other expense	1,023			1,023	3,243	(7,950)
Payroll taxes	25,027	10,195		35,222	102,204	86,069
Pension	20,044	2,362		22,406	64,750	47,146
Phone, fax, & video	27,950		3,099	31,049	39,869	39,559
Postage & shipping	894	4,605	513	6,012	49,412	40,879
Printing & copying	1,106	1,217	71	2,394	21,789	31,147
Professional services					18,272	44,541
Relocation expense					71,374	7,000
Rent	27,858	9,937		37,795	6,416	68,143
Repairs & maintenance					30,000	30,000
Scholarships					215,307	234,780
Sports accident insurance					189,489	107,950
Stipends	26,038	11,843	55,452	93,333	1,914,146	1,184,412
Travel					425,861	261,100
VIK distribution	209,601	138,108	36,536	384,245	1,326,823	1,115,558
Wages	476,406	211,811	179,196	867,413	6,582,748	4,883,052
Total expenses					(222,497)	(154,260)
Less expenses shown net of revenue on statement of activities						
Expenses on statement of activities	\$ 476,406	\$ 211,811	\$ 179,196	\$ 867,413	\$ 6,360,251	\$ 4,728,792

See Notes to Financial Statements

USA BOXING, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,013,675)	\$ 104,803
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation		497
Realized and unrealized (gains) losses on investments	57,483	(121,215)
Decrease (increase) in assets:		
Accounts receivable	10,110	(16,071)
Due from USOPC	(3,200)	
Inventory	(52,960)	(16,333)
Prepaid expenses	23,094	(38,033)
Other assets	(2,000)	
Increase (decrease) in liabilities:		
Accounts payable	24,204	32,263
Accrued liabilities	(86,898)	87,131
Deferred revenue	(51,511)	119,369
Due to USOPC	<u>3,260</u>	<u>(1,663)</u>
Total adjustments	<u>(78,418)</u>	<u>45,945</u>
Net cash provided (used) by operating activities	(1,092,093)	150,748
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(14,034)	
Proceeds from sale of long-term investments	445,033	1,452,554
Purchases of long-term investments	<u>(330,547)</u>	<u>(1,458,643)</u>
Net cash provided (used) by investing activities	100,452	(6,089)
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 (DECREASE) IN CASH	(1,091,641)	44,659
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,220,948</u>	<u>2,176,289</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,129,307</u>	<u>\$ 2,220,948</u>

See Notes to Financial Statements

USA BOXING, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Boxing, Inc. (the Corporation) is the national governing body for boxing, making it responsible for the promotion and development of amateur boxing in the United States.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of the financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Corporation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 1,449,090	\$
Net assets without donor restrictions		<u>1,449,090</u>
Total net assets	<u>\$ 1,449,090</u>	<u>\$ 1,449,090</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. 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, 2017, from which the summarized information was derived.

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.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

#### Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value and consists of the following items held for sale at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Boxing equipment	\$ 226,340	\$ 159,419
Merchandise and apparel	147,943	13,146
Labels	14,265	163,023
Sponsorship VIK apparel	<u>                    </u>	<u>                    </u>
	<u>\$ 388,548</u>	<u>\$ 335,588</u>

Note J describes the Corporation's new accounting estimate pertaining to the recognition of sponsorship VIK apparel.

#### 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.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Furniture and Equipment - continued

Depreciation expense was \$0 and \$497 for the years ended December 31, 2018 and 2017, respectively.

#### Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during the years ended December 31, 2018 and 2017.

#### 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, 2018 and 2017, is not necessary.

#### Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Corporation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain costs and expenses are allocated among the various programs and supporting service expenses based on salary, time and effort spent, and dedicated resources.

#### 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through August 16, 2019, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

USA Boxing, Inc. regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to effectively invest funds by protecting and strengthening the financial position of the Corporation. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and investments. The Corporation has an investment policy that states that the Board of Directors is responsible for the management of Corporation property, including cash and cash equivalents. The statement governs the investing of all the Corporation's cash and cash equivalents and outlines the Corporation's strategy and operational plans for investing. The Corporation looks to create a mechanism to provide further benefits to its athletes on par with other leading Olympic boxing nations through its investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation strives to produce a conservative budget and anticipates collecting revenue from conducting its program services to adequately cover operating expenses.

The following table reflects the Corporation's financial assets as of December 31, 2018 and 2017. The Corporation does not have any funds whose use is restricted by Board of Directors designations or by donor restrictions.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,129,307	\$ 2,220,948
Accounts receivable	38,130	45,040
Investments	<u>948,202</u>	<u>1,120,171</u>
Total financial assets available within one year	<u>\$ 2,115,639</u>	<u>\$ 3,386,159</u>

## Notes to Financial Statements

### C. 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 value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are recorded at the end of the reporting period.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017:

#### Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 628,319	\$	\$	\$ 628,319
Fixed income	169,162			169,162
Alternative investments	95,670			95,670
Money market funds	51,443			51,443
Other Investments	<u>3,608</u>	<u></u>	<u></u>	<u>3,608</u>
	<u>\$ 948,202</u>	<u>\$</u>	<u>\$</u>	<u>\$ 948,202</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Realized gains	\$ 27,992	\$ 104,026
Interest and dividends	26,247	26,495
Investment fees	(17,060)	(13,060)
Unrealized gains (losses)	<u>(68,415)</u>	<u>30,249</u>
	<u>\$ (31,236)</u>	<u>\$ 147,710</u>

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Membership fees	\$ 773,280	\$ 790,220
USOPC grants	<u>66,774</u>	<u>101,345</u>
	<u>\$ 840,054</u>	<u>\$ 891,565</u>

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the United States Olympic & Paralympic Committee (USOPC) provided revenue to the Corporation under the following categories:

	<u>2018</u>	<u>2017</u>
NGB funding	\$ 616,302	\$ 652,874
Other grants	49,600	3,882
Value-in-kind	47,147	57,419
Carried over special grants	<u>34,571</u>	<u></u>
	<u>\$ 747,620</u>	<u>\$ 714,175</u>

## Notes to Financial Statements

### E. RELATED PARTY TRANSACTIONS - Continued

The USOPC also paid stipends of \$250,000 and \$192,384 directly to athletes for the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2012, the Corporation entered into a digital licensing agreement with the USOPC. The initial term of the agreement was January 1, 2013 through December 31, 2016. The Corporation signed an amended agreement with the USOPC that extends the term of the agreement through December 31, 2020. The Corporation received \$75,000 during each of the years ended December 31, 2018 and 2017.

The USOPC 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, 2018 and 2017, 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 USOPC \$17,436 and \$14,176 at December 31, 2018 and 2017, respectively. The USOPC owed the Corporation \$3,200 and \$0 at December 31, 2018 and 2017, respectively.

The Corporation recorded \$66,774 and \$95,226 as deferred revenue from the USOPC at December 31, 2018 and 2017, 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.

A member of the Board of Directors of the Corporation has contracted with the Corporation to conduct talks and various activities on behalf of growing the sport of Boxing in the United States of America. The Corporation reimburses the Board Member for authorized expenses incurred. The Corporation reimbursed the Board Member a total of \$29,299 for documented expenses during the year ended December 31, 2018.

Notes to Financial Statements

F. UNITED STATES AMATEUR BOXING FOUNDATION

The United States Amateur Boxing Foundation (Foundation) was formed as a separate entity to operate 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, 2018 and 2017, grants totaling \$209,638 and \$30,000 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, 2018 and 2017, the Foundation did not owe the Corporation any amounts for grants awarded during the years ended December 31, 2018 and 2017.

As of December 31, 2018, 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.	\$ 795,000
Less current portion	<u>(100,000)</u>
Long-term portion	<u>\$ 695,000</u>

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

2019	\$ 100,000
2020	100,000
2021	100,000
2022	100,000
2023	100,000
2024 and thereafter	295,000

## Notes to Financial Statements

### G. 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, 2018 and 2017, the Corporation contributed \$64,750 and \$47,146, respectively, to the plan.

### H. LEASES

As discussed in Note E, the Corporation has leased its office space from the USOPC 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.

During the year ended December 31, 2018, the Corporation entered into a lease for warehouse space to store its merchandise and boxing equipment under a 24-month operating lease through March 31, 2020. This lease requires monthly payments of \$2,000.

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

2019	\$ 43,331
2020	12,444

### I. CONTINGENCIES

The Corporation, at times, has claims made against their accident and liability insurance policies for injuries sustained. As of December 31, 2018 and 2017, a reserve of \$100,000 has been recorded for insurance deductibles for potential future claims that the Corporation estimates may not be covered by insurance.

### J. CHANGE IN ACCOUNTING ESTIMATE

During the year ended December 31, 2018, the Corporation enacted a change in accounting estimate regarding the valuation of value-in-kind apparel inventory received a part of a sponsorship agreement.

## Notes to Financial Statements

### J. CHANGE IN ACCOUNTING ESTIMATE - Continued

It has been determined that the Corporation is unable to sell any of the unused value-in-kind items received from this sponsorship arrangement. The Corporation continues to acquire apparel each year and any apparel received for the previous calendar year is unlikely to be utilized. Therefore, the net realizable value of the remaining inventory under this contract at year end has been determined to be \$0 for the Corporation.

This change in accounting estimate resulted in the prior year valuation of this apparel of \$163,023 to be expensed in 2018. There was no value-in-kind revenue to offset this expense in 2018 as this was recognized in 2017 when the merchandise was received, therefore the net effect of this estimate change decreased net assets by \$163,023. The previous period was not restated as this change in estimate was applied prospectively.

For the year ended December 31, 2018, the Corporation adopted a new accounting policy which will expense the value-in-kind apparel upon receipt instead of recording the items as inventory and expensing the value upon use. This estimate will continue to be enacted in future periods.