

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION, INC.**

Financial Statements

For the Year Ended August 31, 2006

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WAUGH & GOODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
United States of America Wrestling
Association, Inc.

We have audited the accompanying statement of financial position of United States of America Wrestling Association, Inc., d/b/a USA Wrestling, as of August 31, 2006 and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's August 31, 2005 financial statements and, in our report dated October 27, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States of America Wrestling Association, Inc., d/b/a USA Wrestling, as of August 31, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended August 31, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP
October 13, 2006

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Financial Position

August 31, 2006

(With Comparative Amounts for 2005)

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,046,042	\$ 2,225,791
Short-term investments	1,826,270	1,234,146
Accounts receivable	521,227	453,482
Short-term pledges receivable, net	202,149	185,000
Inventory	40,721	17,886
Prepaid expenses	<u>56,819</u>	<u>116,893</u>
Total current assets	4,693,228	4,233,198
PROPERTY AND EQUIPMENT:		
Furniture and equipment	1,089,437	1,081,567
Building and improvements	362,801	361,914
Land	71,416	71,416
Less accumulated depreciation	<u>(1,115,987)</u>	<u>(1,058,397)</u>
Property and equipment - net	407,667	456,500
LONG-TERM INVESTMENTS	1,030,065	738,255
LONG-TERM PLEDGES RECEIVABLE, net	<u>625,872</u>	<u>1,110,683</u>
TOTAL ASSETS	<u>\$ 6,756,832</u>	<u>\$ 6,538,636</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 526,727	\$ 485,451
Deferred revenue	219,409	410,968
Current portion of capital lease obligation	<u>10,042</u>	<u>9,625</u>
Total current liabilities	756,178	906,044
LONG-TERM LIABILITIES:		
Capital lease obligation	<u>26,115</u>	<u>36,158</u>
TOTAL LIABILITIES	782,293	942,202
NET ASSETS:		
Unrestricted	491,307	233,135
Unrestricted - Board designated	1,339,962	1,271,384
Temporarily restricted	<u>4,143,270</u>	<u>4,091,915</u>
Total net assets	<u>5,974,539</u>	<u>5,596,434</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,756,832</u>	<u>\$ 6,538,636</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2006
(With Comparative Totals for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
SUPPORT AND REVENUE:				
Membership	\$ 3,569,555	\$	\$ 3,569,555	\$ 3,579,524
USOC grants	1,386,993	.	1,386,993	1,162,682
Events, camps and clinics	663,963		663,963	649,498
Other	378,834		378,834	256,713
Newspaper and internet income	344,985		344,985	278,952
Grants and contributions	237,654	59,136	296,790	197,627
Corporate sponsorship	291,434		291,434	349,802
Investment income	161,521	90,485	252,006	123,412
Royalties	156,684		156,684	156,667
Sports broadcasting	35,000		35,000	47,500
Satisfied program restrictions	<u>98,266</u>	<u>(98,266)</u>		
Total support and revenue	7,324,889	51,355	7,376,244	6,802,377
EXPENSES:				
Program services:				
National Team	3,068,194		3,068,194	2,480,908
Membership	1,967,881		1,967,881	1,855,231
Events, camps and clinics	1,082,008		1,082,008	991,979
Promotion & sports broadcasting	<u>305,513</u>		<u>305,513</u>	<u>308,977</u>
Total program services	6,423,596		6,423,596	5,637,095
Supporting services:				
General and administrative	574,543		574,543	510,873
Fundraising				<u>232</u>
Total supporting services	<u>574,543</u>		<u>574,543</u>	<u>511,105</u>
Total expenses	<u>6,998,139</u>		<u>6,998,139</u>	<u>6,148,200</u>
CHANGE IN NET ASSETS	326,750	51,355	378,105	654,177
NET ASSETS, beginning of year	<u>1,504,519</u>	<u>4,091,915</u>	<u>5,596,434</u>	<u>4,942,257</u>
NET ASSETS, end of year	<u>\$ 1,831,269</u>	<u>\$ 4,143,270</u>	<u>\$ 5,974,539</u>	<u>\$ 5,596,434</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Cash Flows

For the Year Ended August 31, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 378,105	\$ 654,177
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,004	109,283
Restricted investment income	(90,485)	(16,815)
Restricted contributions	(59,136)	(90,454)
Loss on disposal of property and equipment		107
Change in assets and liabilities:		
Increase in receivables	(84,894)	(59,787)
Increase in inventory	(22,835)	(3,329)
Decrease in prepaid expenses	60,074	(88,088)
Increase in payables	41,693	(84,160)
Decrease in deferred revenue	(191,559)	182,622
Total adjustments	<u>(237,138)</u>	<u>(50,621)</u>
Net cash provided by operating activities	140,967	603,556
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(61,171)	(110,318)
Increase in investments	<u>(883,934)</u>	<u>(534,205)</u>
Net cash used by investing activities	(945,105)	(644,523)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term debt	(10,043)	42,314
Restricted investment income	90,485	16,815
Decrease in pledges restricted for capital campaign	484,811	271,738
Restricted contributions	<u>59,136</u>	<u>90,454</u>
Net cash provided by financing activities	<u>624,389</u>	<u>421,321</u>
NET INCREASE (DECREASE) IN CASH	(179,749)	380,354
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,225,791</u>	<u>1,845,437</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,046,042</u>	<u>\$ 2,225,791</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Notes to Financial Statements

For the Year Ended August 31, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States of America Wrestling Association, Inc. (the Association) is the national governing body for amateur wrestling, making it responsible for the promotion and development of the sport in the United States.

The Association 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. The Association is not a private foundation.

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 Association's financial statements for the year ended August 31, 2005, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts. The Association had approximately \$2,045,000 on deposit at one commercial bank. In the unlikely event of a bank failure, the Association might only be able to recover the amounts insured.

Accounts Receivable

The Association has recorded accounts receivable net of an allowance for doubtful accounts of \$120 at August 31, 2006.

Inventory

Inventory is stated at the lower of cost (first-in, first out method) or market and consists of uniforms and publications.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation

Furniture and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives for each asset as follows:

	<u>Years</u>
Furniture and equipment	3-7
Building	40

Depreciation expense for the years ended August 31, 2006 and 2005 was \$110,004 and \$109,283, respectively, and includes depreciation on equipment financed with capital leases.

Supplemental Cash Flows Disclosure

Cash flows from operations include interest payments for the years ended August 31, 2006 and 2005 of \$1,760 and \$1,285, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received.

Contributed Services

The Association receives a substantial amount of donated services in carrying out the Association's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in Preparation of Financial Statements

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.

B. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Capital campaign	\$ 3,998,582	\$ 4,010,361
Medal incentive program	<u>144,688</u>	<u>81,554</u>
	<u>\$ 4,143,270</u>	<u>\$ 4,091,915</u>

The capital campaign donations are restricted for the national team and at-risk youth programs. The medal incentive donations are to be used to offer wrestlers who have won medals an incentive to stay involved in the sport.

In a prior year a liability for estimated future capital campaign expenses of \$200,000 was recorded. During the year ended August 31, 2006 and 2005, this liability was reduced by actual expenses incurred in the amounts of \$204 and \$1,921, respectively.

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2006 and 2005, net assets were released from restrictions as follows:

	<u>2006</u>	<u>2005</u>
Camp scholarship program	\$ 73,800	\$
Donor restricted programs	24,042	
Medal incentive program	336	
Capital campaign expenses	88	
Andrew Engel grant		<u>10,206</u>
	<u>\$ 98,266</u>	<u>\$ 10,206</u>

Notes to Financial Statements

C. BOARD DESIGNATED NET ASSETS

In prior years, the Board of Directors established separate cash and investment accounts for the purpose of creating an operating reserve and a reserve for future increases in insurance costs.

These Board designated net assets amount to the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Operating reserve	\$ 1,226,093	\$ 1,164,382
Insurance reserve	<u>113,869</u>	<u>107,002</u>
	<u>\$ 1,339,962</u>	<u>\$ 1,271,384</u>

Any use of the operating reserve requires approval by a two-thirds majority vote of the Board of Directors.

D. PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Association. Pledges which will not be received in the next year have been discounted using an estimated rate of 3%. Short-term pledges receivable are reflected net of an allowance for doubtful accounts of \$18,000.

During the years ended August 31, 2006 and 2005, the Association collected \$538,218 and \$294,806, respectively, of pledges which had been recognized as support in previous years.

Total unconditional promises to give were as follows at August 31, 2006:

Pledges receivable in less than one year	\$ 220,149
Less allowance for doubtful accounts	<u>(18,000)</u>
Short-term pledges receivable	<u>\$ 202,149</u>
Pledges receivable in future years	\$ 710,853
Less discount to net present value	<u>(84,981)</u>
Long-term pledges receivable	<u>\$ 625,872</u>

During the year ended August 31, 2002, two donors agreed to allow the Association to borrow against their pledged amounts to the capital campaign in order to pay off the long-term debt. During the year ended August 31, 2006, a portion of this amount was repaid to the capital campaign.

Notes to Financial Statements

E. INVESTMENTS

Short-term investments consist of the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
U.S. Treasury bills	\$ 1,258,601	\$ 937,802
Government bonds	156,982	155,887
Money funds	<u>410,687</u>	<u>140,457</u>
	<u>\$ 1,826,270</u>	<u>\$ 1,234,146</u>

At August 31, 2006 and 2005, long-term investments are carried at market value and consist of a \$1,030,065 and \$738,255 investment with the United States Olympic Foundation (USOF). The USOF Investment consists of units in a pooled portfolio managed by the USOF. At August 31, 2006, the USOF portfolio consisted of the following types of securities:

Domestic equities	39.54%
Domestic bonds	21.31
International equities	18.16
Alternative investments	13.59
Cash & cash equivalents	<u>7.40</u>
	<u>100.00%</u>

Investment income from short-term and long-term investments consists of the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 202,946	\$ 73,976
Unrealized gains on securities	(5,476)	32,951
Realized gains on securities	<u>54,536</u>	<u>16,485</u>
	<u>\$ 252,006</u>	<u>\$ 123,412</u>

F. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
USOC grants	\$ 80,965	\$ 306,898
Sponsorship	82,463	67,011
Advertising income	27,504	22,379
Camp fees	<u>28,477</u>	<u>14,680</u>
	<u>\$ 219,409</u>	<u>\$ 410,968</u>

Notes to Financial Statements

G. CAPITAL LEASE OBLIGATION

The Association leases three copiers under a capital lease agreement. The terms of the lease require monthly payments of \$949, including interest at 4.25%.

Future scheduled lease payments are as follows:

2007	\$ 11,385
2008	11,385
2009	11,385
2010	<u>4,743</u>
	38,898
Less amount representing interest	<u>(2,741)</u>
Principal portion of capital lease obligation	<u>\$ 36,157</u>

Accordingly, the assets have been capitalized and have the following book value at August 31, 2006:

Capitalized cost	\$ 49,326
Accumulated depreciation	<u>(28,774)</u>
	<u>\$ 20,552</u>

This depreciation is included in the total depreciation reflected in Note A.

H. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2006 and 2005, the United States Olympic Committee (USOC) provided grants to the Association under the following categories:

	<u>2006</u>	<u>2005</u>
NGB funding	\$ 869,582	\$ 812,919
Performance pool funding	384,279	241,667
Base funding	83,333	84,705
Value in kind	31,642	18,978
Coaching development	9,166	8,000
World University Games	8,000	991
International relations grant	<u>991</u>	<u>4,413</u>
	<u>\$ 1,386,993</u>	<u>\$ 1,162,682</u>

The Association is economically dependent upon grants from the USOC in order to maintain its programs at current levels.

Notes to Financial Statements

I. PENSION PLAN

The Association has a tax sheltered annuity pension plan that covers substantially all of its employees. The plan allows employer and employee contributions. During the years ended August 31, 2006 and 2005, pension expense for employer contributions amounted to \$97,470 and \$92,863, respectively.

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Schedule of Program Services

For the Year Ended August 31, 2006

	National Team	Membership	Events, Camps and Clinics	Promotion & Sports Broadcasting	Total
Accident insurance	\$	\$ 432,256	\$	\$	\$ 432,256
Apparel	27,525	3,225	23,975		54,725
Athlete assistance	452,641				452,641
Bad debt expense	35	17	16	19	87
Bank charges & fees	394	190	177	217	978
Communications	14,300	7,177	4,569	5,888	31,934
Depreciation & amortization	23,209	11,205	38,649	14,532	87,595
Dues & subscriptions	573	277	257	316	1,423
Event expenses	459	571	2,800		3,830
FILA & international relations			3,120		3,120
Gifts & awards	873	57,362	59,841		118,076
Hospitality & protocol	4,889	3,506	31,525	18,593	58,513
Internet/bracketing			8,650		8,650
Liability insurance		344,630			344,630
Occupancy	2,939	1,419	1,318	1,622	7,298
Office activities	4,792	2,313	2,148	2,644	11,897
Other expenses	57,268	6,139	11,679	317	75,403
Other insurance	2,060	995	924	1,137	5,116
Other professional fees	12	6	5	7	30
Outside services & honoraria	249,876	16,606	11,760	7,306	285,548
Postage & shipping	10,280	161,666	16,303	5,297	193,546
Printing	4,560	12,484	42,110	2,562	61,716
Production costs	4,597	254,399		40,200	299,196
Professional development				149	149
Promotions & publicity	2,094	6,301	5,776	9,300	23,471
Recruiting	843				843
Salaries, benefits & payroll taxes	1,129,435	446,147	589,980	158,011	2,323,573
Site costs	2,540	353	44,439	2,110	49,442
Software development		2,760			2,760
Sponsor & employee relations				17,675	17,675
State association expense		86,551			86,551
Supplies & equipment	85,125	45,253	31,106	6,181	167,665
Trainers			10,703		10,703
Training camps			8,288		8,288
Travel & lodging	947,504	64,073	131,890	11,430	1,154,897
Visas & FILA stamps	39,371				39,371
	<u>\$ 3,068,194</u>	<u>\$ 1,967,881</u>	<u>\$ 1,082,008</u>	<u>\$ 305,513</u>	<u>\$ 6,423,596</u>

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Schedule of Supporting Services
For the Year Ended August 31, 2006

	National Office	Board of Directors & Committees	Total
Bad debt expense	\$ 34	\$	\$ 34
Bank & credit card fees	6,728		6,728
Communications	9,853	3,607	13,460
Depreciation & amortization	22,409		22,409
Dues & subscriptions	2,146		2,146
Employee recruitment	6,645		6,645
FILA & international relations	3,812		3,812
Gifts & awards		1,261	1,261
Insurance	1,989	11,975	13,964
Interest	1,760		1,760
Legal & accounting fees	42,522		42,522
Maintenance & repair	23,403		23,403
Meeting expenses		885	885
Office activities	4,627		4,627
Other expenses	8,303	1,228	9,531
Other professional fees	12		12
Outside services	12,878		12,878
Postage & shipping	8,214	1,979	10,193
Printing	4,372	477	4,849
Promotions, hospitality & protocol	16,531	1,567	18,098
Rent & utilities	27,500		27,500
Salaries, benefits & payroll taxes	276,519		276,519
Supplies	7,132		7,132
Travel & lodging	22,652	41,523	64,175
	<u>\$ 510,041</u>	<u>\$ 64,502</u>	<u>\$ 574,543</u>