

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

**Financial Statements &  
Supplemental Schedules**

**For the Year Ended August 31, 2008**

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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 (a nonprofit organization), as of August 31, 2008, 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, 2007 financial statements and, in our report dated October 31, 2007, 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. 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 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, 2008, 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, 2008 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*

November 13, 2008

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

Statement of Financial Position

August 31, 2008

(With Comparative Amounts for 2007)

ASSETS

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 794,228	\$ 1,897,776
Short-term investments	5,097,693	3,642,513
Accounts receivable, net	488,111	493,182
Due from the USOC	123,005	
Short-term pledges receivable, net	256,733	317,083
Inventory	65,611	41,824
Prepaid expenses	<u>91,540</u>	<u>350,048</u>
Total current assets	6,916,921	6,742,426
<b>PROPERTY AND EQUIPMENT:</b>		
Furniture and equipment	943,445	1,138,560
Building and improvements	372,235	362,442
Land	71,416	71,416
Less accumulated depreciation	<u>(1,003,530)</u>	<u>(1,209,955)</u>
Property and equipment, net	383,566	362,463
LONG-TERM PLEDGES RECEIVABLE, net	<u>366,776</u>	<u>394,276</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,667,263</u>	<u>\$ 7,499,165</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 738,914	\$ 556,483
Due to the USOC	39,052	92,931
Deferred revenue	175,771	377,367
Current portion of capital lease obligation	<u>10,931</u>	<u>10,477</u>
Total current liabilities	964,668	1,037,258
<b>LONG-TERM LIABILITIES:</b>		
Capital lease obligation	<u>4,707</u>	<u>15,638</u>
<b>TOTAL LIABILITIES</b>	969,375	1,052,896
<b>NET ASSETS:</b>		
Unrestricted	700,696	574,040
Unrestricted - Board designated	1,735,288	1,578,525
Temporarily restricted	<u>4,261,904</u>	<u>4,293,704</u>
Total net assets	<u>6,697,888</u>	<u>6,446,269</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,667,263</u>	<u>\$ 7,499,165</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, 2008  
(With Comparative Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
<b>SUPPORT AND REVENUE:</b>				
Membership	\$ 3,832,608	\$	\$ 3,832,608	\$ 3,793,217
USOC grants	1,692,758		1,692,758	1,353,009
Events, camps and clinics	1,402,451		1,402,451	767,554
Grants and contributions	435,520	159,908	595,428	204,422
Other	556,523		556,523	415,328
Corporate sponsorship	426,277		426,277	421,058
Newspaper and internet income	347,854		347,854	337,433
Royalties	150,543		150,543	150,000
Investment income	27,944	28,700	56,644	332,832
Sports broadcasting	25,000		25,000	28,000
Satisfied program restrictions	<u>220,408</u>	<u>(220,408)</u>		
Total support and revenue	9,117,886	(31,800)	9,086,086	7,802,853
<b>EXPENSES:</b>				
Program services:				
National Team	4,156,055		4,156,055	3,248,306
Membership	2,207,533		2,207,533	1,996,253
Events, camps and clinics	1,528,094		1,528,094	1,159,413
Promotion & sports broadcasting	<u>461,981</u>		<u>461,981</u>	<u>340,457</u>
Total program services	8,353,663		8,353,663	6,744,429
Supporting services:				
General and administrative	<u>480,804</u>		<u>480,804</u>	<u>586,694</u>
Total supporting services	<u>480,804</u>		<u>480,804</u>	<u>586,694</u>
Total expenses	<u>8,834,467</u>		<u>8,834,467</u>	<u>7,331,123</u>
CHANGE IN NET ASSETS	283,419	(31,800)	251,619	471,730
NET ASSETS, beginning of year	<u>2,152,565</u>	<u>4,293,704</u>	<u>6,446,269</u>	<u>5,974,539</u>
NET ASSETS, end of year	<u>\$ 2,435,984</u>	<u>\$ 4,261,904</u>	<u>\$ 6,697,888</u>	<u>\$ 6,446,269</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, 2008  
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 251,619	\$ 471,730
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,571	93,968
Restricted investment income	(28,700)	(196,134)
Restricted contributions	(159,908)	(12,500)
Realized (gain) loss on investments	(74,418)	(105,438)
Unrealized (gain) loss on investments	147,233	(32,010)
Decrease (increase) in assets:		
Accounts receivable	5,071	28,046
Due from the USOC	(123,005)	
Inventory	(23,787)	(1,103)
Prepaid expenses	258,508	(293,228)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	89,500	29,756
Due to the USOC	39,052	92,931
Deferred revenue	(201,596)	157,958
Total adjustments	<u>(3,479)</u>	<u>(237,754)</u>
Net cash provided by operating activities	248,140	233,976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments, net	(1,527,995)	(648,731)
Acquisition of property and equipment	<u>(89,674)</u>	<u>(48,764)</u>
Net cash used by investing activities	(1,617,669)	(697,495)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(10,477)	(10,043)
Restricted investment income	28,700	196,134
Collection of pledges restricted for capital campaign	87,850	116,662
Restricted contributions	<u>159,908</u>	<u>12,500</u>
Net cash provided by financing activities	<u>265,981</u>	<u>315,253</u>
NET DECREASE IN CASH	(1,103,548)	(148,266)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,897,776</u>	<u>2,046,042</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 794,228</u>	<u>\$ 1,897,776</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, 2008

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, 2007, from which the summarized information was derived.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts. The Association had approximately \$785,000 on deposit at one commercial bank. Balances in non-interest bearing accounts are fully insured. The financial institution has collateralized the interest bearing deposits by pledging 102% of the balances on deposit with securities backed by agencies of the federal government, as required by current law. In the event of a bank failure, the Association might only be able to recover the amounts insured in their interest bearing accounts.

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 uniforms and publications.

Accounts Receivable

The Association has recorded accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was considered necessary at August 31, 2008.

Depreciation

Furniture and equipment are recorded at cost. The Association capitalizes all assets that have an original cost or fair market value of \$1,000 or greater. 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, 2008 and 2007 was \$68,571 and \$93,968, 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, 2008 and 2007 of \$906 and \$1,343, 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.



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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

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.

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. INVESTMENTS

Short-term investments consist of the following at August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 3,514,778	\$ 428,794
USOF investment	1,119,773	1,176,121
Government bonds	325,542	167,908
Equities	88,264	
Corporate bonds	49,336	
U.S. Treasury bills	<u>                    </u>	<u>1,869,690</u>
	<u>\$ 5,097,693</u>	<u>\$ 3,642,513</u>

The United States Olympic Foundation (USOF) investment consists of units in a pooled portfolio managed by the USOF. At August 31, 2008, the USOF portfolio consisted of the following types of securities:

Notes to Financial Statements

B. INVESTMENTS - Continued

Domestic equities	33.73%
Limited partnership	26.97
International equities	19.28
Domestic bonds	12.69
Cash & cash equivalents	7.23
Convertibles	<u>.10</u>
	<u>100.00%</u>

Investment income from short-term and long-term investments consists of the following at August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 129,458	\$ 195,384
Realized gains on securities	74,419	105,438
Unrealized gains (losses) on securities	<u>(147,233)</u>	<u>32,010</u>
	<u>\$ 56,644</u>	<u>\$ 332,832</u>

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of changes in net assets.

C. PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Association. Short-term pledges receivable are reflected net of an allowance for doubtful accounts of \$22,000.

During the years ended August 31, 2008 and 2007, the Association collected \$87,850 and \$112,662, respectively, of pledges which had been recognized as support in previous years.

Total unconditional promises to give were as follows at August 31, 2008:

Pledges receivable in less than one year	\$ 278,733
Less allowance for doubtful accounts	<u>(22,000)</u>
Short-term pledges receivable	<u>\$ 256,733</u>
Long-term pledges receivable	<u>\$ 366,776</u>

Notes to Financial Statements

C. PLEDGES RECEIVABLE - Continued

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 years ended August 31, 2008 and 2007, a portion of this amount was repaid to the capital campaign.

D. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Sponsorship	\$ 115,896	\$ 127,427
Membership	19,366	9,310
Tour & participant revenue	17,830	70,350
Advertising income	13,402	11,177
USOC grants	9,277	109,003
Night of Champions	<u>          </u>	<u>50,100</u>
	<u>\$ 175,771</u>	<u>\$ 377,367</u>

E. 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:

2009	\$ 11,385
2010	<u>4,743</u>
	16,128
Less amount representing interest	<u>(490)</u>
Principal portion of capital lease obligation	<u>\$ 15,638</u>

Accordingly, the assets have been capitalized and have the following book value at August 31, 2008:

Capitalized cost	\$ 49,326
Accumulated depreciation	<u>(49,326)</u>
	<u>\$ 0</u>

F. OPERATING LEASES

The Association leases a mailing system under an operating lease through September 2012. This lease requires monthly payments of \$846.

Notes to Financial Statements

F. OPERATING LEASES - continued

Future minimum lease payments for the years ended August 31 are as follows:

2009	\$	10,152
2010		10,152
2011		10,152
2012		10,152
2013		846

G. 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.

The Board designated net assets amount to the following at August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Operating reserve	\$ 1,317,045	\$ 1,313,993
Insurance reserve	<u>418,243</u>	<u>264,532</u>
	<u>\$ 1,735,288</u>	<u>\$ 1,578,525</u>

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

H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Capital campaign	\$ 4,111,041	\$ 4,137,736
Multiple medal incentive program	<u>150,863</u>	<u>155,968</u>
	<u>\$ 4,261,904</u>	<u>\$ 4,293,704</u>

The capital campaign donations are restricted for the national team and at-risk youth programs. The multiple medal incentive donations are to be used to offer wrestlers who have won multiple 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 years ended August 31, 2008 and 2007, this liability was reduced by actual expenses incurred in the amounts of \$25,755 and \$2,182, respectively.

Notes to Financial Statements

H. TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2008 and 2007, net assets were released from restrictions as follows:

	<u>2008</u>	<u>2007</u>
National team	\$ 91,312	\$
Fuel the Dream	51,096	
Camp scholarship program	50,000	50,200
Multiple medal incentive program	23,000	8,000
Brazil International Grappling Open	<u>5,000</u>	<u></u>
	<u>\$ 220,408</u>	<u>\$ 58,200</u>

I. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2008 and 2007, the United States Olympic Committee (USOC) provided grants to the Association under the following categories:

	<u>2008</u>	<u>2007</u>
NGB funding	\$ 1,552,951	\$ 1,287,877
Value in kind	96,977	55,963
International relations grant	<u>42,830</u>	<u>9,169</u>
	<u>\$ 1,692,758</u>	<u>\$ 1,353,009</u>

At August 31, 2008 and 2007 the Association was owed \$123,005 and \$0, respectively, by the USOC under the above grant programs and owed the USOC \$39,052 and \$92,931, respectively, for Olympic Games and Olympic Training Center expenses.

The USOC also paid stipends of \$485,717 and \$393,916 directly to athletes in the years ended August 31, 2008 and 2007, respectively.

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

J. 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, 2008 and 2007, pension expense for employer contributions amounted to \$110,178 and \$101,490, respectively.

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.  
d/b/a USA WRESTLING  
Schedule of Program Services  
For the Year Ended August 31, 2008

	National Team	Membership	Events, Camps and Clinics	Promotion & Sports Broadcasting	Total
Accident insurance	\$	\$ 491,000	\$	\$	\$ 491,000
Apparel	3,638		37,661		41,299
Athlete assistance	497,679				497,679
Bad debt expense	(8)	(1,503)	(4)	(3)	(1,518)
Bank charges & fees	4,551	4,318	4,122	1,772	14,763
Communications	17,565	12,254	10,697	5,460	45,976
Depreciation	19,816	13,005	15,229	7,516	55,566
Dues & subscriptions	906	595	425	311	2,237
Event expenses	50		3,300		3,350
FILA & international relations			75,618		75,618
Gifts & awards	30,215	16,071	109,339	6,928	162,553
Hospitality & protocol	9,690	2,972	29,499	39,372	81,533
Insurance	47,652	23,524	15,293	1,344	87,813
Interest	290	190	136	100	716
Internet/bracketing		7,537	9,021		16,558
Liability insurance		352,606			352,606
Maintenance & repair	3,351	2,199	1,571	1,152	8,273
Occupancy	5,514	3,619	2,585	1,895	13,613
Office activities	15,033	3,912	4,328	2,051	25,324
Other expenses	49,757	6,518	27,548	1,524	85,347
Other professional fees	10,403	6,827	4,877	3,576	25,683
Outside services & honoraria	263,354	29,408	54,086	50,005	396,853
Postage & shipping	13,064	214,301	25,175	5,469	258,009
Printing	3,601	2,188	13,154	5,248	24,191
Production costs		250,510		46,152	296,662
Professional development	1,266	831	594	435	3,126
Promotions & publicity	330	12,650	7,663		20,643
Recruiting	1,650	464	331	243	2,688
Salaries, benefits & payroll taxes	1,329,526	585,096	617,943	127,449	2,660,014
Site costs	6,490	560	87,961	4,810	99,821
Sponsor & employee relations				15,481	15,481
State association expense		23,606			23,606
Supplies & equipment	146,562	80,078	33,364	6,643	266,647
Trainers	19,250		11,502		30,752
Travel & lodging	1,580,437	62,197	317,120	127,048	2,086,802
Visas & FILA stamps	74,423		7,956		82,379
	<u>\$ 4,156,055</u>	<u>\$ 2,207,533</u>	<u>\$ 1,528,094</u>	<u>\$ 461,981</u>	<u>\$ 8,353,663</u>

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.  
d/b/a USA WRESTLING  
Schedule of Supporting Services  
For the Year Ended August 31, 2008

	<u>National Office</u>	<u>Board of Directors &amp; Committees</u>	<u>Total</u>
Bad debt expense	\$ (5)	\$	\$ (5)
Bank & credit card fees	2,986		2,986
Communications	10,582	3,336	13,918
Depreciation & amortization	13,005		13,005
Dues & subscriptions	595		595
Employee recruitment	464		464
FILA & international relations	21,565		21,565
Gifts & awards		27	27
Insurance	2,568	11,964	14,532
Interest	190		190
Legal & accounting fees	6,827		6,827
Maintenance & repair	2,199		2,199
Office activities	3,915		3,915
Other expenses	7,535	753	8,288
Outside services	12,838		12,838
Postage & shipping	7,145	2,423	9,568
Printing	1,860		1,860
Professional development	831		831
Promotions, hospitality & protocol	29,964	1,844	31,808
Rent & utilities	23,246		23,246
Salaries, benefits & payroll taxes	243,313		243,313
Supplies	5,951		5,951
Travel & lodging	33,561	29,322	62,883
	<u>\$ 431,135</u>	<u>\$ 49,669</u>	<u>\$ 480,804</u>