

UNITED STATES BOWLING CONGRESS, INC.
Greendale, Wisconsin

FINANCIAL STATEMENTS
July 31, 2007 and 2006

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Independent Auditor's Report

Board of Directors
United States Bowling Congress, Inc.
Greendale, Wisconsin

We have audited the accompanying statements of financial position of United States Bowling Congress, Inc. as of July 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide 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 Bowling Congress, Inc. as of July 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Milwaukee, Wisconsin
October 18, 2007

UNITED STATES BOWLING CONGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
July 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,582,997	\$ 20,052,181
Cash and cash equivalents - SMART (designated for scholarship awards payable)	<u>1,320,465</u>	<u>844,267</u>
Total cash and cash equivalents	24,903,462	20,896,448
Investments, at fair value	9,979,837	8,998,310
Investments - SMART (designated for scholarship awards payable), at fair value	23,172,758	17,881,985
Accounts receivable, less allowance for doubtful accounts of \$4,990 at July 31, 2007 and 2006	1,145,063	867,868
Inventory	769,476	589,704
Prepaid expenses and other	<u>346,310</u>	<u>375,545</u>
Total current assets	<u>60,316,906</u>	<u>49,609,860</u>
LONG-TERM NOTE RECEIVABLE		
International Bowling Museum and Hall of Fame	3,643,000	3,643,000
Less reserve for note receivable	<u>2,343,000</u>	<u>2,343,000</u>
Total long-term note receivable	<u>1,300,000</u>	<u>1,300,000</u>
PROPERTY AND EQUIPMENT		
Land and land improvements	814,031	797,907
Building and building improvements	5,812,262	5,596,871
Furniture and fixtures	12,674,737	12,512,800
Tournament equipment	3,632,297	2,972,458
Vehicles	<u>66,965</u>	<u>127,242</u>
Total, at cost	23,000,292	22,007,278
Less accumulated depreciation	<u>18,176,878</u>	<u>18,047,945</u>
Total property and equipment	<u>4,823,414</u>	<u>3,959,333</u>
OTHER ASSETS	<u>26,052</u>	<u>27,749</u>
TOTAL ASSETS	<u>\$ 66,466,372</u>	<u>\$ 54,896,942</u>

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,632,912	\$ 1,787,685
Accrued liabilities	2,138,017	2,263,134
Accrued tournament prize checks	10,407,264	8,207,897
Scholarship awards payable	24,675,441	18,882,491
Current maturities of capital lease obligations	73,403	100,704
Current portion of deferred revenue - national tournaments	5,151,369	4,638,269
Current portion of deferred revenue - membership dues and other	906,712	760,408
Current portion of deferred compensation	<u>27,464</u>	<u>45,850</u>
Total current liabilities	<u>45,012,582</u>	<u>36,686,438</u>
 LONG-TERM LIABILITIES		
Capital lease obligations, less current maturities above	50,141	123,598
Deferred revenue - national tournaments, less current portion above	1,337,500	1,245,000
Deferred revenue - membership dues and other, less current portion above	119,619	135,612
Deferred compensation, less current portion above	215,107	242,493
Postretirement benefit obligation	<u>4,168,755</u>	<u>3,387,291</u>
Total long-term liabilities	<u>5,891,122</u>	<u>5,133,994</u>
Total liabilities	<u>50,903,704</u>	<u>41,820,432</u>
 NET ASSETS		
Unrestricted	15,222,889	12,807,115
Permanently restricted	<u>339,779</u>	<u>269,395</u>
Total net assets	<u>15,562,668</u>	<u>13,076,510</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 66,466,372</u>	 <u>\$ 54,896,942</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES			
Membership dues	\$ 26,014,841	\$ -	\$ 26,014,841
Merchandise sales	884,341	-	884,341
Workshops and seminars	400,703	-	400,703
Special events, booths, and concessions	1,398,204	-	1,398,204
Tournament entry and prize fees	18,321,262	-	18,321,262
Tournament and conventions subsidy	1,375,000	-	1,375,000
Brackets	1,542,420	-	1,542,420
Advertising	345,591	-	345,591
Royalty	1,801,115	-	1,801,115
Sponsorship	942,724	-	942,724
Contributions	149,534	70,384	219,918
Investment income	3,644,605	-	3,644,605
Other	579,679	-	579,679
Total revenues	<u>57,400,019</u>	<u>70,384</u>	<u>57,470,403</u>
EXPENSES			
Salaries	12,066,138	-	12,066,138
Fringe benefits	2,957,969	-	2,957,969
Training, professional memberships and tuition	281,016	-	281,016
Temporary agency services	2,288,034	-	2,288,034
Professional services	3,136,911	-	3,136,911
Supplies	497,776	-	497,776
Resale merchandise	425,315	-	425,315
Prizes	10,360,593	-	10,360,593
Awards	4,240,418	-	4,240,418
Telephone	378,459	-	378,459
Postage and freight	3,428,244	-	3,428,244
Facilities	619,114	-	619,114
Equipment maintenance and repairs	803,966	-	803,966
Depreciation	834,930	-	834,930
Printing	2,322,178	-	2,322,178
Promotion, sponsorships and programs	1,821,915	-	1,821,915
Travel	2,031,324	-	2,031,324
Insurance	316,183	-	316,183
Contributions	756,178	-	756,178
Lineage and construction	2,628,147	-	2,628,147
Miscellaneous	2,056,345	-	2,056,345
Total expenses	<u>54,251,153</u>	<u>-</u>	<u>54,251,153</u>
Effect of adoption of new accounting standard for defined benefit postretirement plan	<u>(733,092)</u>	<u>-</u>	<u>(733,092)</u>
CHANGE IN NET ASSETS	2,415,774	70,384	2,486,158
NET ASSETS, BEGINNING OF YEAR	<u>12,807,115</u>	<u>269,395</u>	<u>13,076,510</u>
NET ASSETS, END OF YEAR	<u>\$ 15,222,889</u>	<u>\$ 339,779</u>	<u>\$ 15,562,668</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2006

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES			
Membership dues	\$ 22,308,090	\$ -	\$ 22,308,090
Merchandise sales	780,992	-	780,992
Workshops and seminars	342,976	-	342,976
Special events, booths, and concessions	1,287,332	-	1,287,332
Tournament entry and prize fees	14,636,380	-	14,636,380
Tournament and conventions subsidy	1,076,704	-	1,076,704
Brackets	1,276,412	-	1,276,412
Advertising	352,111	-	352,111
Royalty	1,684,351	-	1,684,351
Sponsorship	1,040,521	-	1,040,521
Contributions	291,039	16,131	307,170
Investment income	1,872,733	-	1,872,733
Other	640,604	-	640,604
Total revenues	<u>47,590,245</u>	<u>16,131</u>	<u>47,606,376</u>
EXPENSES			
Salaries	11,791,732	-	11,791,732
Fringe benefits	2,830,189	-	2,830,189
Training, professional memberships and tuition	242,863	-	242,863
Temporary agency services	2,001,717	-	2,001,717
Professional services	3,272,702	-	3,272,702
Supplies	469,468	-	469,468
Resale merchandise	530,644	-	530,644
Prizes	8,390,861	-	8,390,861
Awards	5,110,467	-	5,110,467
Telephone	340,175	-	340,175
Postage and freight	3,597,018	-	3,597,018
Facilities	618,319	-	618,319
Equipment maintenance and repairs	878,065	-	878,065
Depreciation	813,878	-	813,878
Printing	2,437,254	-	2,437,254
Promotion, sponsorships and programs	1,039,396	-	1,039,396
Travel	2,145,199	-	2,145,199
Insurance	349,781	-	349,781
Contributions	670,316	-	670,316
Lineage and construction	2,219,338	-	2,219,338
Miscellaneous	733,272	-	733,272
Total expenses	<u>50,482,654</u>	<u>-</u>	<u>50,482,654</u>
CHANGE IN NET ASSETS	(2,892,409)	16,131	(2,876,278)
NET ASSETS, BEGINNING OF YEAR	<u>15,699,524</u>	<u>253,264</u>	<u>15,952,788</u>
NET ASSETS, END OF YEAR	<u>\$ 12,807,115</u>	<u>\$ 269,395</u>	<u>\$ 13,076,510</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,486,158	\$ (2,876,278)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	834,930	813,878
Increase in postretirement benefit obligation	781,464	12,128
Net realized and unrealized gains on investments	(1,058,336)	(67,508)
Loss on disposal of property and equipment	1,144	35,691
Deferred compensation	(45,772)	(56,560)
Effects of changes in operating assets and liabilities		
Accounts receivable	(277,195)	47,240
Inventory	(179,772)	213,243
Prepaid expenses and other	30,932	339,360
Accounts payable	(154,773)	587,497
Accrued liabilities	(125,117)	(163,780)
Accrued tournament prize checks	2,199,367	2,703,748
Scholarship awards payable	5,792,950	2,379,069
Deferred revenue	735,911	1,325,161
	<u>11,021,891</u>	<u>5,292,889</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	(5,213,964)	3,748,485
Purchases of property and equipment	(1,700,155)	(661,406)
	<u>(6,914,119)</u>	<u>3,087,079</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(100,758)	(86,252)
	<u>(100,758)</u>	<u>(86,252)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,007,014	8,293,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,876,448</u>	<u>12,582,732</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 24,883,462</u>	<u>\$ 20,876,448</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The United States Bowling Congress, Inc. (USBC) was incorporated on June 3, 2004, in the state of Wisconsin, for the purposes of developing interest and participation in the sport of bowling, overseeing competition, and providing programs and services to its membership. USBC's revenues are derived primarily from membership dues and tournament entry fees. USBC's fiscal year ends on July 31. Significant accounting policies followed by USBC are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

USBC considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are carried at fair value based upon readily available market values. Realized and unrealized gains and losses on investments are included in the statements of activities.

Accounts Receivable

Accounts receivable are uncollateralized obligations. Accounts receivable are stated at the invoice amount. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific accounts and the aging of the accounts receivable. If there is a deterioration of credit worthiness, or actual defaults are higher than the historical experience, management's estimates of recoverability of amounts due USBC could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is valued at the lower of cost or market with cost determined on a first-in, first-out (FIFO) basis.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line method over their estimated useful lives, which range from three to forty-five years.

Maintenance, repairs and replacements are generally included as expenses of operations during the year in which the expense is incurred. Costs of replacements, which constitute improvements or extend the life of the respective assets, are recorded as additions to property and equipment.

Impairment of Long-lived Assets

USBC reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Scholarship Awards Payable

USBC administers a scholarship program to local associations known as Scholarship Management and Accounting Reports for Tenpins (SMART). The program collects, manages, and disburses scholarship funds for youth bowling scholarships. A scholarship awards payable is recorded for SMART payments received. All amounts are considered current as students can use the scholarship at any time. USBC effectively acts as an agent for these funds, and as such no amounts are shown in the statements of activities for changes in SMART account balances.

Revenue Recognition

Deferred revenue - national tournaments consists of tournament subsidies and tournament entry fees. These amounts are recognized as revenue in the period in which the event is held or the related expenses are incurred.

Deferred revenue - membership dues and other consists primarily of membership dues. These amounts are recognized in the fiscal year in which the individual receives the privileges that membership offers.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. However, donor restricted contributions whose restrictions are met during the same year are directly reported as increases in unrestricted net assets. The net assets of USBC and changes therein are classified and reported as follows:

Unrestricted net assets

These represent net assets that are not subject to external donor-imposed restrictions.

Permanently restricted net assets

These represent net assets that are subject to donor-imposed stipulations requiring that the principal be invested in perpetuity and that only income be expended for SMART scholarship awards.

Advertising Costs

USBC expenses advertising costs as incurred.

Income Tax Status

The Internal Revenue Service has issued a determination letter dated October 5, 2004, granting USBC an exemption from federal income tax under IRS Code Section 501(c)(3). However, income received from certain activities is subject to income tax as unrelated business income. No income tax expense has been recorded in the financial statements as cumulative unrelated business net operating loss carryforwards would offset any current tax liability. In addition, a 100% valuation allowance has been provided against the deferred tax asset resulting from the net operating loss carryforwards. Management is not aware of any items that could cause revocation of the tax-exempt status.

New Accounting Standard

Effective in 2007, USBC adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The standard requires organizations to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation, in the statements of financial position, with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost will be recognized each year as a separate charge or credit to net assets.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 2 - INVESTMENTS

Investments consist of the following at July 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Investments - undesignated		
Bonds	\$ 5,584,119	\$ 5,300,000
Mutual funds	<u>4,395,718</u>	<u>3,698,310</u>
	<u>9,979,837</u>	<u>8,998,310</u>
Investments - designated for SMART		
Bonds	19,639,423	14,829,544
Mutual funds	376,279	301,855
Common stocks	<u>3,157,056</u>	<u>2,750,586</u>
	<u>23,172,758</u>	<u>17,881,985</u>
Total investments	<u>\$ 33,152,595</u>	<u>\$ 26,880,295</u>

Investment income for the years ended July 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 2,586,269	\$ 1,805,225
Net realized and unrealized gains	<u>1,058,336</u>	<u>67,508</u>
Total investment income	<u>\$ 3,644,605</u>	<u>\$ 1,872,733</u>

SMART cash and cash equivalents and investments in excess of the scholarship award payable are distributed to the scholarship provider accounts. Prior to 2007, when SMART cash and cash equivalents and investments exceeded scholarship awards payable by 1%, the amount of cash and cash equivalents and investments above the 1% reserve was distributed to scholarship provider accounts. There was \$1,413,000 and \$192,000 accrued for distribution to scholarship providers as of July 31, 2007 and 2006, respectively.

NOTE 3 - INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME (IBM&HF)

The note receivable from IBM&HF is interest-free and is due July 31, 2011. The note is secured by a mortgage on the land and building owned by IBM&HF in favor of USBC. Since collection is not anticipated at this time, a reserve has been established to cover the amount of the note that exceeds the appraised value of the land and building.

USBC has approved and ratified a resolution stating that USBC would guarantee the continuation of the IBM&HF operations for an indefinite period of time. During the years ended July 31, 2007 and 2006, USBC contributed \$63,500 each year to IBM&HF to help finance its operations.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 4 - LINES OF CREDIT

USBC has a bank line of credit arrangement in the amount of \$2,000,000. There are no compensating balance arrangements and the line bears interest at prime (8.25% at July 31, 2007 and 2006). The line of credit is unsecured and expires on February 28, 2008. There were no borrowings under this line at July 31, 2007 and 2006 or during the years then ended.

During 2007, USBC obtained a second bank line of credit arrangement in the amount of \$2,000,000. There are no compensating balance arrangements and the line bears interest at the one-month LIBOR plus 2.50% (7.93% at July 31, 2007). The line of credit is unsecured and expires on November 30, 2007. There were no borrowings under this line at July 31, 2007 or during the year then ended.

NOTE 5 - CAPITAL LEASE OBLIGATIONS

USBC leases some of its office equipment under capital lease arrangements. The economic substance of the lease is that USBC is financing the acquisition of the assets through the lease and, accordingly, are recorded in USBC's assets and liabilities. Amortization of the assets is included in depreciation expense on the statements of activities.

The book value of leased office equipment is as follows:

Office equipment, at cost	\$ 324,143
Less accumulated amortization	<u>198,680</u>
Total	<u>\$ 125,463</u>

Future minimum lease payments under these leases are as follows:

2008	\$ 74,291
2009	<u>50,141</u>
Total minimum lease payments	124,432
Less amount representing interest	<u>888</u>
Present value of net minimum lease payments	123,544
Less current maturities	<u>73,403</u>
Capital lease obligations, net of current maturities	<u>\$ 50,141</u>

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 6 - POSTRETIREMENT BENEFIT OBLIGATION

USBC provides defined benefit postretirement health benefits to certain employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. USBC's unfunded cost that existed at August 1, 1995, is being accrued primarily in a straight-line manner that results in full accrual in 20 years.

The accumulated postretirement benefit obligation as of July 31, 2007 and 2006, consisted of unfunded obligations related to the following:

	<u>2007</u>	<u>2006</u>
Active employees, retirees, and dependents	\$ 4,168,755	\$ 3,923,015
Unrecognized net transition obligation	-	(108,057)
Unrecognized net loss from prior year	<u>-</u>	<u>(427,667)</u>
Total accumulated postretirement benefit obligation	<u>\$ 4,168,755</u>	<u>\$ 3,387,291</u>

In accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, adopted by USBC in 2007, all previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets at July 31, are:

	<u>2007</u>	<u>2006</u>
Net transition obligation	\$ (96,051)	\$ -
Net loss from prior year	<u>(637,041)</u>	<u>-</u>
Actuarial gains	<u>\$ (733,092)</u>	<u>\$ -</u>

Net postretirement benefit cost for the years ended July 31, 2007 and 2006, included the following components:

	<u>2007</u>	<u>2006</u>
Service cost	\$ 57,572	\$ 51,649
Interest cost on accumulated postretirement benefit obligation	223,786	217,372
Amortization of transition obligation	12,006	12,006
Amortization of prior year loss	10,932	11,193
Benefit payments	(255,942)	(246,188)
Effect of Medicare Part D Subsidy	<u>-</u>	<u>(33,904)</u>
Net increase in postretirement benefit obligation	<u>\$ 48,372</u>	<u>\$ 12,128</u>

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 6 - POSTRETIREMENT BENEFIT OBLIGATION (continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2008	\$ 279,000
2009	282,000
2010	282,000
2011	280,000
2012-2017	1,959,000

In fiscal 2006, USBC recognized the estimated effect of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). Based on a review of its plan and the Act, USBC has determined that its plan is at least "actuarially equivalent" (as defined in the Act) to Medicare Part D. Although USBC believes this is a reasonable estimate, specific authoritative guidance on the accounting for the federal subsidy is pending and that guidance, when issued, could require USBC to change previously reported information.

The assumptions used to develop the net postretirement benefit expense and the present value of benefit obligation are as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	5.50%	5.50%
Health care cost trend rate for the next year	6.50%	7.00%

The health care cost trend rate assumption has a significant effect on the amounts reported. The health care cost trend rate used to value the accumulated postretirement benefit obligation is assumed to decrease by approximately 1.50% over the next three years to an ultimate rate of 5.00%.

NOTE 7 - RETIREMENT PLANS

USBC sponsors a 401(k) retirement plan available to all employees who have reached the age of 21 and completed one month of service. However, employer contributions do not begin until the employee has completed one year of service. Employees may contribute to their accounts up to the annual amount allowed by law. USBC matches employee contributions up to 10% of 4% of the employee's compensation.

USBC also sponsors a defined contribution 403(b) plan available to certain employees who have reached the age of 21 and completed one year of service. USBC makes contributions to employee accounts in amounts ranging from 4.5% to 13.0% of an employee's compensation based on their age and years of service.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2007 and 2006

NOTE 7 - RETIREMENT PLANS (continued)

Total contribution expense recorded under the plans was \$546,289 and \$315,459 for the years ended July 31, 2007 and 2006, respectively.

USBC has a deferred compensation agreement with a former employee, which provides benefits upon retirement or disability. Upon death, benefits are payable to beneficiaries. Monthly payments are being made in the amount of \$3,375 and will continue through November 2014.

NOTE 8 - EXPENSES BY FUNCTIONAL CLASSIFICATION

	<u>2007</u>	<u>2006</u>
Program services		
Membership services	\$ 11,848,804	\$ 12,635,971
Public relations, marketing and industry relationship	3,640,462	3,183,885
Field services	1,048,372	1,144,854
Publications	2,994,917	2,963,238
Management information systems	3,364,303	3,733,654
Equipment specifications	917,444	939,428
Tournaments	20,464,251	17,993,794
Other	<u>4,289,169</u>	<u>2,356,560</u>
Total program services	48,567,722	44,951,384
Management and general	<u>5,683,431</u>	<u>5,531,270</u>
Total	<u>\$ 54,251,153</u>	<u>\$ 50,482,654</u>

NOTE 9 - CASH FLOW DISCLOSURES

Cash paid for interest on capital lease obligations was \$1,776 for each of the years ended July 31, 2007 and 2006.

During 2006, USBC incurred a \$242,607 capitalized lease obligation for the acquisition of equipment.

NOTE 10 - RECLASSIFICATIONS

Certain amounts in the 2006 financial statements have been reclassified to conform to the current year presentation.

This information is an integral part of the accompanying financial statements.