

UNITED STATES BOWLING CONGRESS, INC.
Greendale, Wisconsin

FINANCIAL STATEMENTS
July 31, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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
March 10, 2009

UNITED STATES BOWLING CONGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
July 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,022,819	\$ 5,407,997
Cash and cash equivalents - SMART (designated for scholarship awards payable)	<u>1,084,322</u>	<u>1,320,465</u>
Total cash and cash equivalents	10,107,141	6,728,462
Investments, at fair value	18,169,912	28,154,837
Investments - SMART (designated for scholarship awards payable), at fair value	28,337,219	23,172,758
Accounts receivable, less allowance for doubtful accounts of \$4,990 at July 31, 2008 and 2007	1,529,297	1,145,063
Inventory	621,438	769,476
Prepaid expenses and other	<u>417,974</u>	<u>346,310</u>
Total current assets	<u>59,182,981</u>	<u>60,316,906</u>
LONG-TERM PREPAID EXPENSES	<u>157,778</u>	<u>-</u>
LONG-TERM NOTE RECEIVABLE		
International Bowling Museum and Hall of Fame	1,821,500	3,643,000
Less reserve for note receivable	<u>521,500</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	814,031
Building and building improvements	5,890,600	5,812,262
Furniture and fixtures	14,439,640	12,674,737
Tournament equipment	5,035,660	3,632,297
Vehicles	<u>66,965</u>	<u>66,965</u>
Total, at cost	26,246,896	23,000,292
Less accumulated depreciation	<u>19,056,752</u>	<u>18,176,878</u>
Total property and equipment	<u>7,190,144</u>	<u>4,823,414</u>
INVESTMENT IN NEW ERA BOWLING, LLC	<u>4,222,321</u>	<u>-</u>
OTHER ASSETS	<u>31,584</u>	<u>26,052</u>
TOTAL ASSETS	<u>\$ 72,084,808</u>	<u>\$ 66,466,372</u>

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,864,827	\$ 1,632,912
Due to related party	1,699,579	-
Accrued liabilities	1,671,661	2,138,017
Accrued tournament prize checks	8,424,433	10,407,264
Scholarship awards payable	29,585,970	24,675,441
Current maturities of capital lease obligations	50,144	73,403
Current portion of deferred revenue - national tournaments	7,445,928	5,151,369
Current portion of deferred revenue - membership dues and other	848,439	906,712
Current portion of deferred compensation	<u>29,104</u>	<u>27,464</u>
Total current liabilities	<u>51,620,085</u>	<u>45,012,582</u>
 LONG-TERM LIABILITIES		
Capital lease obligations, less current maturities above	-	50,141
Deferred revenue - national tournaments, less current portion above	1,675,000	1,337,500
Deferred revenue - membership dues and other, less current portion above	103,623	119,619
Deferred compensation, less current portion above	186,003	215,107
Postretirement benefit obligation	<u>3,806,741</u>	<u>4,168,755</u>
Total long-term liabilities	<u>5,771,367</u>	<u>5,891,122</u>
Total liabilities	<u>57,391,452</u>	<u>50,903,704</u>
 NET ASSETS		
Unrestricted	14,307,213	15,222,889
Permanently restricted	<u>386,143</u>	<u>339,779</u>
Total net assets	<u>14,693,356</u>	<u>15,562,668</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 72,084,808</u>	 <u>\$ 66,466,372</u>

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

UNITED STATES BOWLING CONGRESS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2008

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES			
Membership dues	\$ 25,252,491	\$ -	\$ 25,252,491
Merchandise sales	677,624	-	677,624
Workshops and seminars	361,377	-	361,377
Special events, booths, and concessions	1,189,162	-	1,189,162
Tournament entry and prize fees	15,473,937	-	15,473,937
Tournament and conventions subsidy	1,285,000	-	1,285,000
Brackets	1,349,968	-	1,349,968
Advertising	286,860	-	286,860
Royalty	1,522,215	-	1,522,215
Sponsorship	1,271,425	-	1,271,425
Contributions	111,092	46,364	157,456
Investment income	1,767,592	-	1,767,592
Other	888,923	-	888,923
Total revenues	<u>51,437,666</u>	<u>46,364</u>	<u>51,484,030</u>
EXPENSES			
Salaries	10,750,377	-	10,750,377
Fringe benefits	2,947,434	-	2,947,434
Training, professional memberships and tuition	335,999	-	335,999
Temporary agency services	2,402,114	-	2,402,114
Professional services	4,574,302	-	4,574,302
Supplies	412,847	-	412,847
Resale merchandise	274,461	-	274,461
Prizes	9,086,845	-	9,086,845
Awards	3,752,385	-	3,752,385
Telephone	348,897	-	348,897
Postage and freight	2,799,065	-	2,799,065
Facilities	828,595	-	828,595
Equipment maintenance and repairs	829,716	-	829,716
Depreciation	879,874	-	879,874
Printing	2,482,620	-	2,482,620
Promotion, sponsorships and programs	3,422,546	-	3,422,546
Travel	2,148,856	-	2,148,856
Insurance	276,760	-	276,760
Contributions	763,240	-	763,240
Lineage and construction	2,432,529	-	2,432,529
Miscellaneous	980,853	-	980,853
Total expenses	<u>52,730,315</u>	<u>-</u>	<u>52,730,315</u>
Change in postretirement benefit obligation, other than periodic expense	<u>376,973</u>	<u>-</u>	<u>376,973</u>
CHANGE IN NET ASSETS	(915,676)	46,364	(869,312)
NET ASSETS, BEGINNING OF YEAR	<u>15,222,889</u>	<u>339,779</u>	<u>15,562,668</u>
NET ASSETS, END OF YEAR	<u>\$ 14,307,213</u>	<u>\$ 386,143</u>	<u>\$ 14,693,356</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.
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (869,312)	\$ 2,486,158
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	879,874	834,930
Increase (decrease) in postretirement benefit obligation	(362,014)	781,464
Net realized and unrealized (gains) losses on investments	1,019,225	(1,058,336)
Loss on disposal of property and equipment	-	1,144
Deferred compensation	(27,464)	(45,772)
Effects of changes in operating assets and liabilities		
Accounts receivable	(384,234)	(277,195)
Inventory	148,038	(179,772)
Prepaid expenses and other	(234,974)	30,932
Accounts payable	231,915	(154,773)
Due to related party	76,376	-
Accrued liabilities	(466,356)	(125,117)
Accrued tournament prize checks	(1,982,831)	2,199,367
Scholarship awards payable	4,910,529	5,792,950
Deferred revenue	<u>2,557,790</u>	<u>735,911</u>
Net cash provided by operating activities	<u>5,496,562</u>	<u>11,021,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) sales of investments, net	3,801,239	(5,213,964)
Capital contributions to New Era Bowling, LLC	(2,599,118)	-
Purchases of property and equipment	<u>(3,246,604)</u>	<u>(1,700,155)</u>
Net cash used in investing activities	<u>(2,044,483)</u>	<u>(6,914,119)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	<u>(73,400)</u>	<u>(100,758)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,378,679	4,007,014
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,728,462</u>	<u>2,721,448</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,107,141</u>	<u>\$ 6,728,462</u>

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

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007

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 relocated their operations to Arlington, Texas in November 2008 (see Note 13). 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.

Inventory

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

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

USBC utilizes various investment instruments, including bonds, common and preferred stocks, and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect USBC's account balances and the amounts reported in the financial statements.

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, 2008 and 2007

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

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 157 (SFAS 157), "Fair Value Measurements." SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. Under the standard, fair value refers to the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants in the market in which the reporting entity is engaged. SFAS 157 will be effective for USBC on July 1, 2008. USBC is currently evaluating the financial statement impact, if any, of adopting SFAS 157.

**UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007**

NOTE 2 - INVESTMENTS

Investments consist of the following at July 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Investments - undesignated		
Bonds	\$ 7,342,391	\$ 5,584,119
Preferred stocks	10,130,099	18,175,000
Mutual funds	<u>697,422</u>	<u>4,395,718</u>
	<u>18,169,912</u>	<u>28,154,837</u>
Investments - designated for SMART		
Bonds	18,491,305	19,639,423
Preferred stocks	6,269,901	-
Mutual funds	489,963	376,279
Common stocks	<u>3,086,050</u>	<u>3,157,056</u>
	<u>28,337,219</u>	<u>23,172,758</u>
Total investments	<u>\$ 46,507,131</u>	<u>\$ 51,327,595</u>

Investment income for the years ended July 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 2,786,817	\$ 2,586,269
Net realized and unrealized gains (losses)	<u>(1,019,225)</u>	<u>1,058,336</u>
Total investment income	<u>\$ 1,767,592</u>	<u>\$ 3,644,605</u>

SMART cash and cash equivalents and investments in excess of the scholarship award payable are distributed to the scholarship provider accounts. There was \$492,000 and \$1,413,000 accrued for distribution to scholarship providers as of July 31, 2008 and 2007, 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 unsecured as of July 31, 2008. Effective July 31, 2008, USBC sold a 50% interest in the note receivable to Bowling Proprietors' Association of America, Inc. (BPAA). A reserve has been established to cover the estimated net realizable value of the note receivable.

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, 2008 and 2007, USBC contributed \$30,500 and \$63,500, respectively, to IBM&HF to help finance its operations.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007

NOTE 4 - INVESTMENT IN NEW ERA BOWLING, LLC

During 2008, USBC became a 50% owner in New Era Bowling, LLC (New Era). The investment is accounted for using the equity method. New Era holds title to the land and building which will be utilized by USBC as its national headquarters beginning in fiscal 2009. Summarized financial information for New Era for the year ended July 31, 2008 is shown below.

Property and equipment	<u>\$8,444,641</u>
Net assets - unrestricted	<u>\$8,444,641</u>
Change in net assets	<u>\$ -</u>

During 2008, USBC, along with BPAA, New Era, Bowling Foundation, and Contemporary Bowling Association, Inc., entered into a joint bank line of credit arrangement in the amount of \$14,000,000, subject to a borrowing base calculation, to finance the purchase and renovation of the property. The line bears interest at the one-month LIBOR plus .48% (2.94% at July 31, 2008). The line of credit is secured by various cash and investment accounts, including those of USBC, and expires on April 13, 2009. Outstanding borrowings under this line are recorded on the statement of financial position of BPAA, and were approximately \$5,700,000 at July 31, 2008.

NOTE 5 - LINES OF CREDIT

USBC has a bank line of credit arrangement in the amount of \$2,000,000. The line bears interest at the bank's prime rate (5.00% at July 31, 2008 and 2007). The line of credit is unsecured and expires on February 28, 2009. There were no borrowings under this line at July 31, 2008 and 2007 or during the years then ended.

During 2008, 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% (4.96% at July 31, 2008). The line of credit is unsecured and expires on November 30, 2008. There were no borrowings under this line at July 31, 2008 or during the year then ended.

NOTE 6 - LEASE OBLIGATIONS

Capital Lease

USBC leases some of its office equipment under a capital lease arrangement. 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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007

NOTE 6 - LEASE OBLIGATIONS (continued)

Capital Lease (continued)

The book value of leased office equipment is as follows:

	<u>2008</u>	<u>2007</u>
Office equipment, at cost	\$ 196,258	\$ 324,143
Less accumulated amortization	<u>146,117</u>	<u>198,680</u>
Total	<u>\$ 50,141</u>	<u>\$ 125,463</u>

Future minimum lease payments under these leases are as follows:

2009	<u>\$ 50,144</u>
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Operating Lease

Beginning in 2008, USBC also began leasing office equipment under an operating lease arrangement expiring in August 2010. The lease requires monthly rental payments of \$5,240. The following is a schedule of minimum operating lease commitments:

2009	\$ 62,880
2010	62,880
2011	<u>5,240</u>
Total	<u>\$ 131,000</u>

Total rental expense for the year ended December 31, 2008 was \$57,640.

NOTE 7 - POSTRETIREMENT BENEFIT OBLIGATION

USBC provides defined benefit postretirement health benefits to certain employees. Covered employees became 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.

UNITED STATES BOWLING CONGRESS, INC.
NOTES TO FINANCIAL STATEMENTS
July 31, 2008 and 2007

NOTE 7 - POSTRETIREMENT BENEFIT OBLIGATION (continued)

The postretirement health care plan is unfunded. The following reconciles the change in accumulated benefit obligation and the amounts included in the statements of financial position at July 31:

	<u>2008</u>	<u>2007</u>
Benefit obligation at beginning of year	\$ 4,168,755	\$ 3,387,291
Service cost	44,990	57,572
Interest cost	208,880	223,786
Benefits paid	(250,917)	(255,942)
Actuarial gain	<u>(364,967)</u>	<u>756,048</u>
Accrued postretirement benefit obligation	<u>\$ 3,806,741</u>	<u>\$ 4,168,755</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>2008</u>	<u>2007</u>
Net transition obligation	\$ (84,045)	\$ (96,051)
Net loss from prior year	<u>(272,074)</u>	<u>(637,041)</u>
Actuarial gains	<u>\$ (356,119)</u>	<u>\$ (733,092)</u>

Net postretirement benefit cost for the years ended July 31, 2008 and 2007, included the following components:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 44,990	\$ 57,572
Interest cost	208,880	223,786
Amortization of transition obligation	12,006	12,006
Amortization or prior year loss	<u>-</u>	<u>10,932</u>
Postretirement health care expenses	<u>\$ 265,876</u>	<u>\$ 304,296</u>

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

2009	\$ 274,000
2010	303,000
2011	295,000
2012	296,000
2013-2017	1,654,000

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NOTE 7 - POSTRETIREMENT BENEFIT OBLIGATION (continued)

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

	<u>2008</u>	<u>2007</u>
Discount rate	6.75%	5.50%
Health care cost trend rate for the next year	6.81%	6.50%

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 0.56% over the next three years to an ultimate rate of 6.25%.

NOTE 8 - 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 3.5% to 13.0% of an employee's compensation based on their age and years of service.

Total contribution expense recorded under the plans was \$346,462 and \$546,289 for the years ended July 31, 2008 and 2007, 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.

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NOTE 9 - EXPENSES BY FUNCTIONAL CLASSIFICATION

	<u>2008</u>	<u>2007</u>
Program services		
Membership services	\$ 10,067,660	\$ 11,848,804
Public relations, marketing and industry relationship	3,311,094	3,640,462
Field services	125,766	1,048,372
Publications	3,307,390	2,994,917
Management information systems	3,531,352	3,364,303
Equipment specifications	885,418	917,444
Tournaments	19,076,876	20,464,251
Other	<u>5,611,035</u>	<u>4,289,169</u>
Total program services	45,916,591	48,567,722
Management and general	<u>6,813,724</u>	<u>5,683,431</u>
Total	<u>\$ 52,730,315</u>	<u>\$ 54,251,153</u>

NOTE 10 - CASH FLOW DISCLOSURES

Cash paid for interest on capital lease obligations was \$888 and \$1,776 for the years ended July 31, 2008 and 2007, respectively.

During 2008, \$1,623,203 of USBC's capital contributions to New Era was provided by BPAA. This amount is included in due to related party on the accompanying statement of financial position.

During 2008, USBC sold a 50% interest in the note receivable from IBM&HF to BPAA for previous considerations.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

USBC maintains the majority of its cash and investments in two commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC), respectively, up to specified limits. Balances in excess of these limits are uninsured.

NOTE 12 - RECLASSIFICATIONS

Certain amounts in the 2007 financial statements have been reclassified to conform to the current year presentation.

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NOTE 13 - SUBSEQUENT EVENT

In November 2008, USBC relocated their operations to Arlington, Texas. This move was done as part of the creation of an International Bowling Campus which will serve as headquarters for several industry leading organizations. USBC retains ownership of the property in Greendale, Wisconsin, and management does not believe there is any impairment of its value as of July 31, 2008.

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