

Financial Statements

UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Ten Months Ended October 31, 2007

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Financial Statements
and Supplementary Information
Ten Months Ended October 31, 2007**

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**A.T. ALLEN
& COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS
A Registered Limited Liability Partnership

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RONALD G. PITTMAN
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ROBERT A. ALEXANDER

JAMES E. CARTER, JR.
EDITH R. MOGLE

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
of UNITED STATES BASEBALL FEDERATION, INC. and
BASEBALL AMERICA FOUNDATION, INC.

We have audited the accompanying combined statement of financial position of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. (nonprofit organizations) as of October 31, 2007, and the related combined statements of activities, functional expenses, and cash flows for the ten months then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. as of October 31, 2007, and the changes in its net assets and its cash flows for the ten months then ended in conformity with accounting principles generally accepted in the United States of America.

A.T. Allen & Company L.L.P.

Raleigh, North Carolina
December 17, 2007

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**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Financial Position
October 31, 2007**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 512,331
Investments	1,270,694
Inventory	46,497
Accounts receivable	43,297
Prepaid expenses	<u>110,014</u>
Total current assets	1,982,833
Property and equipment, net	84,373
Cash value life insurance	<u>154,388</u>
Total assets	<u>\$ 2,221,594</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 308,032
Deferred compensation - current	<u>5,165</u>
Total current liabilities	313,197
<u>Net Assets</u>	
Unrestricted	<u>1,908,397</u>
Total liabilities and net assets	<u>\$ 2,221,594</u>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Activities
Ten Months Ended October 31, 2007**

Revenues and other support:	
Major League Baseball funding	\$ 1,200,000
Sponsorships and donations	76,691
Merchandise sales	231,294
Value in kind donations	572,382
Ticket sales and concession revenue	182,154
Card sale revenue	285,902
Interest	16,978
Dividends	17,050
Net realized and unrealized gains on investments	93,369
Increase in cash value life insurance	9,266
Junior Olympic tournament	193,500
Membership revenue	40,898
Memorabilia auction	13,369
Tournament of Stars	81,439
Wake County - National Training Center	285,000
Other income	8,731
	<hr/>
Total revenues and other support	3,308,023
Expenses:	
Program services	2,654,676
Management and general	318,911
	<hr/>
	2,973,587
Direct cost of merchandise sales	156,320
Direct cost of card sales	160,194
	<hr/>
Total expenses and direct costs	3,290,101
Change in net assets	17,922
Net assets at beginning of year	1,890,475
	<hr/>
Net assets at end of year	\$ 1,908,397
	<hr/>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Functional Expenses
Ten Months Ended October 31, 2007**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 335,494	\$ 143,783	\$ 479,277
Employee related expenses	<u>73,907</u>	<u>31,674</u>	<u>105,581</u>
Total salaries and related expenses	409,401	175,457	584,858
Accounting	-	7,000	7,000
Professional services	177,551	-	177,551
Bank service charges	5,000	22,078	27,078
Meeting/directors expense	-	29,253	29,253
Consulting	5,000	-	5,000
Promotions /shows	23,278	-	23,278
Interest expense	-	1,276	1,276
Office supplies	17,391	17,390	34,781
Postage and shipping	26,906	6,726	33,632
Rent	75,981	-	75,981
Printing	32,126	5,669	37,795
Program supplies	131,530	-	131,530
Honorarium/umpire fees	121,717	-	121,717
Telephone	18,175	7,790	25,965
Medical and safety	15,007	-	15,007
Insurance	27,280	11,792	39,072
Travel	637,248	21,656	658,904
Depreciation	-	9,672	9,672
BAF awards	49,600	-	49,600
Value in kind donations	572,382	-	572,382
National Training Center	285,000	-	285,000
Other	<u>24,103</u>	<u>3,152</u>	<u>27,255</u>
Total functional expenses	<u>\$ 2,654,676</u>	<u>\$ 318,911</u>	<u>\$ 2,973,587</u>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Combined Statement of Cash Flows
Ten Months Ended October 31, 2007**

Cash flows from operating activities:	
Change in net assets	\$ 17,922
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	9,672
Cash value life insurance	(9,266)
Net realized and unrealized gains on investments	(93,369)
(Increase) decrease in:	
Inventory	(15,869)
Accounts receivable	374,426
Prepaid expenses	(99,808)
Increase (decrease) in:	
Accounts payable	272,191
Deferred compensation	(24,724)
Net cash provided (used) by operating activities	<u>431,175</u>
Cash flows from investing activities:	
Purchase of property and equipment	(77,824)
Purchase of investments	(713,559)
Proceeds from sale of investments	<u>675,005</u>
Net cash provided (used) by investing activities	<u>(116,378)</u>
Net increase in cash and cash equivalents	314,797
Cash and cash equivalents at beginning of year	<u>197,534</u>
Cash and cash equivalents at end of year	<u>\$ 512,331</u>
Supplemental data:	
Interest paid	<u>\$ 1,276</u>

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

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

1. NATURE OF ORGANIZATION

United States Baseball Federation, Inc. (Federation) was incorporated in the state of Michigan in 1965 and acts as the national governing body for the sport of baseball in compliance with the Amateur Sports Act of 1978 and the Constitution and Bylaws of the United States Olympic Committee. The Federation is supported primarily through sponsorships, donations, ticket and merchandise sales, Junior Olympic tournaments, and Major League Baseball.

Baseball America Foundation, Inc. (Foundation) was established in 1985 in the state of New Jersey for the purpose of managing and administering the funds given by the Los Angeles Olympic Organizing Committee to the United States Baseball Federation.

The Federation and Foundation are collectively referred to herein as "USA Baseball" (USAB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined financial statements of USAB have been prepared on the accrual basis.

Financial Statement Presentation

The combined statements include the accounts of United States Baseball Federation, Inc. and Baseball America Foundation, Inc. All significant interagency accounts and transactions have been eliminated in combination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Donor Restrictions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at date of donation. Depreciation is provided using straight-line over their estimated useful lives.

Cash and Cash Equivalents

Cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less.

Income Tax Status

USAB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income. In addition, USAB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) for the Federation and Section 509(a)(1) for the Foundation.

Donated Goods, Services, and Facilities

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Inventory

Inventory of goods for resale are stated at cost.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The cost of providing the program services has been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Accounts Receivable

Accounts receivable result primarily from the accrual of sponsorships and merchandise sales. A provision for doubtful accounts has not been established as management considers all accounts receivable at year end to be collectible.

3. CONCENTRATION OF CREDIT RISKS

USAB maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At October 31, 2007 USAB had uninsured cash balances above insured amounts.

4. LINE OF CREDIT

The Federation has available for its use a \$100,000 unsecured line of credit. Interest on advances is payable at bank prime plus 1% and is due and payable monthly. The principal and any accrued, unpaid interest is due and payable on May 15, 2008, the expiration date of the line of credit. At October 31, 2007, no amounts were borrowed and outstanding under the line of credit.

5. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Furniture and equipment	\$ 245,215
Less accumulated depreciation	<u>160,842</u>
	<u>\$ 84,373</u>

Depreciation expense amounted to \$9,672 in 2007.

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

6. INVESTMENTS

Investments are summarized as follows at October 31, 2007:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bonds	\$ 202,580	\$ 202,231	\$ (349)
Stocks	883,146	1,068,463	185,317
	<u>\$ 1,085,726</u>	<u>\$ 1,270,694</u>	<u>\$ 184,968</u>

The following schedule summarizes the investment return for the ten months ended October 31, 2007:

Interest	\$ 10,758
Dividends	17,050
Net realized and unrealized gains	<u>93,369</u>
Total investment return	<u>\$ 121,177</u>

7. DEFERRED COMPENSATION

In December 1997, the Federation agreed to pay a former employee compensation totaling \$31,200 annually for ten years beginning January 1998. During 2007, payments to this employee totaled \$26,000, of which \$1,276 was recognized as interest expense. The future minimum payments under this obligation are as follows:

<u>Year Ending October 31:</u>	
2008	\$ 5,200
Amount representing interest	<u>(35)</u>
Present value of future minimum payments	5,165
Current portion	<u>5,165</u>
Long-term portion	<u>\$ -</u>

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

8. RETIREMENT PLAN

In January 2000, the Federation adopted a 401(k) salary reduction plan. Employees who have attained the age of 21 and who have performed six months of service are eligible to participate. The Federation may make discretionary contributions to the plan. Employees become fully vested in their employer contributions after five years of service. The Federation made contributions of \$0 to the plan during 2007.

9. OPERATING LEASES

The Federation leases a copier under a lease that expires in 2010. Rental expense under this lease amounted to \$3,816 in 2007.

Future minimum lease payments relating to the copier lease are as follows:

Year Ending October 31:

2008	\$	4,579
2009		4,579
2010		<u>3,816</u>
	\$	<u><u>12,974</u></u>

USAB moved to new office facilities at the Durham Bulls Athletic Park in Durham, North Carolina in February 2005 and signed a ten year lease agreement. Base rent consists of a seat surcharge for each ticket sold for USAB baseball games and other special events staged by USAB. Four percent of gross revenue derived from concession sales is also included in the base rent. The fair value of these facilities was \$165,806 during the ten months ended October 31, 2007 and has been included in revenue and expenses.

USAB moved to North Carolina in 2003 and agreed to buyout its previous lease for facilities at Hi Corbett Field from the City of Tucson, Arizona. The amount of the agreed buyout was \$50,000. Interest was payable at 4% on the outstanding balance. The facilities are available for use by the Federation during the buyout period. Total rent expense in 2007 was \$0 pertaining to this buyout.

10. UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

Unrestricted	\$	858,397
Board designated:		
Foundation		<u>1,050,000</u>
	\$	<u><u>1,908,397</u></u>

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Notes to Combined Financial Statements
October 31, 2007**

11. MAJOR LEAGUE BASEBALL AGREEMENT

The Federation granted exclusively to Major League Baseball Properties, Inc and MLB Advanced Media, LLC (collectively MLB), the rights, to use, license and sublicense, on a worldwide, non-royalty bearing basis all commercial and editorial rights and interests and other rights to generate revenue for the term beginning January 2006 and concluding December 2016. The Federation will receive funding for its operations from the Office Of The Commissioner Of Baseball (BOC), with the minimum amounts of \$1,410,373 for 2006, \$1,200,000 for each year 2007 and 2008, \$1,250,000 for each year 2009-2012, and \$1,300,000 for each year 2013-2016. There is also revenue sharing between the entities in this agreement. MLB and BOC may terminate this agreement effective December 31, 2009 or December 31, 2013.

SUPPLEMENTARY INFORMATION



**A.T. ALLEN
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CERTIFIED PUBLIC ACCOUNTANTS
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EDITH R. MOGLE

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Boards of Directors
of UNITED STATES BASEBALL FEDERATION, INC. and
BASEBALL AMERICA FOUNDATION, INC.

Our report on our audit of the basic combined financial statements of UNITED STATES BASEBALL FEDERATION, INC. AND BASEBALL AMERICA FOUNDATION, INC. for 2007 appears on page three. That audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying supplementary information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

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Raleigh, North Carolina
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**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.
Details of Combination - Assets, Liabilities, and Net Assets
October 31, 2007**

	<u>Federation</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 427,026	\$ 85,305	\$ -	\$ 512,331
Investments	-	1,270,694	-	1,270,694
Inventory	46,497	-	-	46,497
Accounts receivable	43,297	13,400	(13,400)	43,297
Prepaid expenses	110,014	-	-	110,014
	<u>626,834</u>	<u>1,369,399</u>	<u>(13,400)</u>	<u>1,982,833</u>
Total current assets				
Property and equipment, net	84,373	-	-	84,373
Cash value life insurance	154,388	-	-	154,388
	<u>84,373</u>	<u>-</u>	<u>-</u>	<u>84,373</u>
	<u>154,388</u>	<u>-</u>	<u>-</u>	<u>154,388</u>
Total assets	<u>\$ 865,595</u>	<u>\$ 1,369,399</u>	<u>\$ (13,400)</u>	<u>\$ 2,221,594</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 321,432	\$ -	\$ (13,400)	\$ 308,032
Deferred compensation - current	5,165	-	-	5,165
	<u>326,597</u>	<u>-</u>	<u>(13,400)</u>	<u>313,197</u>
Total current liabilities				
<u>Net Assets</u>				
Unrestricted	<u>538,998</u>	<u>1,369,399</u>	<u>-</u>	<u>1,908,397</u>
Total liabilities and net assets	<u>\$ 865,595</u>	<u>\$ 1,369,399</u>	<u>\$ (13,400)</u>	<u>\$ 2,221,594</u>

**UNITED STATES BASEBALL FEDERATION, INC.
AND BASEBALL AMERICA FOUNDATION, INC.**
Details of Combination - Revenues, Expenses, and Changes in Net Assets
Ten Months Ended October 31, 2007

	<u>Federation</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Revenues and other support:				
Major League Baseball funding	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Sponsorships and donations	76,691	-	-	76,691
Merchandise sales	231,294	-	-	231,294
Value in kind donations	572,382	-	-	572,382
Ticket sales and concession revenue	182,154	-	-	182,154
Card sale revenue	285,902	-	-	285,902
Interest	6,220	10,758	-	16,978
Dividends	-	17,050	-	17,050
Net realized and unrealized gains on investments	-	93,369	-	93,369
Increase in cash value life insurance	9,266	-	-	9,266
Junior Olympic tournament	193,500	-	-	193,500
Membership revenue	40,898	-	-	40,898
Memorabilia auction	13,369	-	-	13,369
Tournament of Stars	81,439	-	-	81,439
Wake County - National Training Center	285,000	-	-	285,000
Other income	8,731	-	-	8,731
	<u>3,186,846</u>	<u>121,177</u>	<u>-</u>	<u>3,308,023</u>
Total revenues and other support				
Expenses:				
Program services	2,605,076	49,600	-	2,654,676
Management and general	299,205	19,706	-	318,911
	<u>2,904,281</u>	<u>69,306</u>	<u>-</u>	<u>2,973,587</u>
Direct cost of merchandise sales	156,320	-	-	156,320
Direct cost of card sales	160,194	-	-	160,194
	<u>3,220,795</u>	<u>69,306</u>	<u>-</u>	<u>3,290,101</u>
Total expenses and direct costs				
Change in net assets	(33,949)	51,871	-	17,922
Net assets at beginning of year	<u>572,947</u>	<u>1,317,528</u>	<u>-</u>	<u>1,890,475</u>
Net assets at end of year	<u>\$ 538,998</u>	<u>\$ 1,369,399</u>	<u>\$ -</u>	<u>\$ 1,908,397</u>