

**USA TRACK & FIELD, INC.**

**FINANCIAL STATEMENTS**

December 31, 2011 and 2010

USA TRACK & FIELD, INC.  
FINANCIAL STATEMENTS  
December 31, 2011 and 2010

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS .....	5

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
USA Track & Field, Inc.  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of USA Track & Field, Inc. (USATF) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of USATF'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 USA Track & Field, Inc. as of December 31, 2011 and 2010, 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.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
May 30, 2012

USA TRACK & FIELD, INC  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2011 and 2010

---

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,774,759	\$ 5,853,775
Accounts receivable, net	763,396	1,417,925
Inventory	1,120,990	1,137,939
Prepaid expenses and other assets	379,946	317,331
Property and equipment, net	<u>207,392</u>	<u>253,451</u>
	<u>\$ 8,246,483</u>	<u>\$ 8,980,421</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,832,144	\$ 3,679,032
Deferred revenue	<u>2,791,446</u>	<u>1,880,133</u>
Total liabilities	<u>4,623,590</u>	<u>5,559,165</u>
Net assets		
Unrestricted	3,588,675	3,381,098
Temporarily restricted	<u>34,218</u>	<u>40,158</u>
Total net assets	<u>3,622,893</u>	<u>3,421,256</u>
	<u>\$ 8,246,483</u>	<u>\$ 8,980,421</u>

---

See accompanying notes to financial statements.

USA TRACK & FIELD, INC  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenue and support:		
Sponsorships, net	\$ 10,477,200	\$ 10,754,308
United States Olympic Committee grants	2,860,395	2,904,879
Events and athlete programs	1,171,995	1,188,608
Member-based programs	2,839,948	2,623,086
Merchandise sales	1,278,843	1,281,134
Other revenue	431,551	688,020
Net assets released from restriction	<u>24,640</u>	<u>8,459</u>
Total revenue and support	19,084,572	19,448,494
Expenses:		
Program expenses		
Elite athlete competitions	7,953,559	7,099,608
Sport Performance	3,884,000	3,802,930
Grass roots programs	1,087,453	1,046,265
Member-based programs	2,067,625	1,904,890
Program support	1,718,922	1,630,228
Cost of goods sold	<u>1,176,006</u>	<u>1,150,864</u>
Total program expenses	17,887,565	16,634,785
Administration and governance	<u>989,430</u>	<u>2,301,132</u>
Total expenses	<u>18,876,995</u>	<u>18,935,917</u>
Change in unrestricted net assets	207,577	512,577
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	18,700	13,760
Net assets released from restriction	<u>(24,640)</u>	<u>(8,459)</u>
Change in temporarily restricted net assets	<u>(5,940)</u>	<u>5,301</u>
Total change in net assets	201,637	517,878
Net assets at beginning of year	<u>3,421,256</u>	<u>2,903,378</u>
Net assets at end of year	<u>\$ 3,622,893</u>	<u>\$ 3,421,256</u>

See accompanying notes to financial statements.

USA TRACK & FIELD, INC  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 201,637	\$ 517,878
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	67,413	89,233
Donated inventory	(742,457)	(1,285,699)
Changes in operating assets and liabilities		
Accounts receivable	654,529	356,678
Inventory	759,406	526,967
Prepaid expenses and other assets	(62,615)	(10,847)
Accounts payable and accrued expenses	(1,846,888)	2,025,497
Deferred revenue	911,313	(69,450)
Net cash from operating activities	<u>(57,662)</u>	<u>2,150,257</u>
<b>Cash flows from investing activities</b>		
Acquisitions of property and equipment	<u>(21,354)</u>	<u>(101,296)</u>
Net cash from investing activities	<u>(21,354)</u>	<u>(101,296)</u>
Net increase in cash and cash equivalents	(79,016)	2,048,961
Cash and cash equivalents at beginning of year	<u>5,853,775</u>	<u>3,804,814</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,774,759</u>	<u>\$ 5,853,775</u>
Supplemental cash flows information		
Non-cash transactions:		
In-kind contributions	\$ 2,555,224	\$ 3,240,314

See accompanying notes to financial statements.

**NOTE 1 - MISSION AND ORGANIZATION**

USA Track & Field, Inc. (USATF) is the national governing body for track and field, long-distance running, race walking, and cross-country running. USATF is the United States' representative member of the International Association of Athletics Federations (IAAF), the world governing body for athletics, as well as a Group A member of the United States Olympic Committee (USOC).

Through its national membership of over 2,500 clubs, schools and other organizations interested in track and field, long-distance running, and race walking, USATF promotes programs of training and competition for all ages, protects the interests and eligibility of its more than 100,000 registered athletes, and establishes and maintains the sports' rules of competition.

As a governing body, USATF may discipline individuals or organizations for violations of its rules. Individuals or organizations who are disciplined may seek administrative and civil remedies, including arbitration or litigation.

Revenue to support these programs is generated primarily by sponsorships, USOC grants, events, and memberships.

In 2011 and 2010, USATF received approximately 66% and 70% of total revenues from two sponsors and the USOC. Agreements with the sponsors include long-term contracts that extend into 2017.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation: Revenue and expenses are reported as an increase or decrease, respectively, in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Temporarily restricted net assets are assets whose use by USATF has been limited by donors to a specific time period or purpose. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Income Tax Status: The Internal Revenue Service has ruled the USATF qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income taxation under present income tax laws. USATF is subject to tax on the sale of merchandise which is considered unrelated to its tax-exempt purpose. Unrelated business income tax expense totaled \$0 for both 2011 and 2010.

USATF has adopted accounting guidance related to accounting for uncertainty in income taxes. This guidance requires USATF to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. USATF has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions.

USATF is no longer subject to examination by taxing authorities for years before 2008. USATF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. USATF recognizes interest and/or penalties related to income tax matters in income tax expense. USATF did not have any amounts accrued for interest and penalties at December 31, 2011 and 2010.

---

(Continued)

USA TRACK & FIELD, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

---

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates.

Revenue Recognition: Membership revenue is recognized ratably over the membership period. Television rights fees, gate receipts, and other event revenue, including sponsorships, are recognized upon completion of the event. National sponsorships are recognized ratably over the sponsorship period. USATF has entered into marketing agreements with sponsors and other business partners that extend until 2017. Association membership fees collected by USATF and passed through are not shown as revenues or expenses in USATF's financial statements.

Contributions: Contributions, which include unconditional pledges, are recognized as revenue in the period received or pledged.

Deferred Revenue: Amounts received pursuant to sponsorship agreements or from memberships are recorded as deferred revenue and recognized in subsequent periods when the corresponding programs are conducted or expenses are incurred.

USOC Funds: The USOC provides funding to USATF for approved programs through either advances or reimbursements. Such revenue is recognized concurrently with the related expenses. Expenditures are recorded in the program-related accounts.

Value of In-Kind and Donated Services: Volunteers and sponsors donate their goods and services to USATF. Value in-kind includes team uniforms, merchandise for resale, office equipment and furniture, legal services, and publication printing and mailing. In-kind revenue recognized in 2011 and 2010 of \$2,555,224 and \$3,240,314, represents an estimate of the goods and services provided. This amount is included under sponsorship revenue, United States Olympic Committee grants, member-based programs revenue, and other revenue on the Statements of Activities. No revenue or expense is recognized when the value of the services provided cannot be objectively or reasonably estimated.

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and administrative and governance categories based on the actual direct expenditures and cost allocations based upon estimates by management.

Cash Equivalents: USATF considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Deposits at each financial institution are insured up to a specified amount by a government agency. USATF periodically has balances in excess of this limit.

Accounts Receivable: USATF's accounts receivable balance consists of amounts billed or billable under contracts, sponsorship agreements, or for products or services provided. Interest is not charged on outstanding accounts receivable.

Allowance for Doubtful Accounts: The allowance for doubtful accounts receivable is determined by management based on USATF's historical losses, specific payer circumstances, general economic conditions, and results of collection activities.

---

(Continued)

USA TRACK & FIELD, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

---

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventories: USATF merchandise for resale is stated at the lower of cost or market on a first-in, first-out basis (FIFO).

Property and Equipment: Property and equipment are recorded at cost at date of acquisition or fair value at date of donation in the case of in-kind gifts. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Property and equipment balance as of December 31, 2011 and 2010, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$359,225 and \$403,637.

Impairment of Long-Lived Assets: On an ongoing basis, USATF reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. USATF recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

Net Asset Classifications: The financial statements have been prepared in accordance with GAAP. GAAP requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. The following classes of net assets are used to reflect donor intent:

Unrestricted Net Assets - The unrestricted net asset class includes general assets and liabilities of USATF. The unrestricted net assets may be used to support USATF's purposes and operations.

Temporarily Restricted Net Assets - The temporarily restricted net asset class includes assets of USATF related to contributions and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Net assets temporarily restricted for the use of supporting specific USATF programs total \$34,218 and \$40,158 at December 31, 2011 and 2010. Temporarily restricted net assets released from restriction during the year ended December 31, 2011 and 2010 totaled \$24,640 and \$8,459.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets of USTAF which the donor has stipulated be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. USATF did not have any permanently restricted net assets at December 31, 2011 and 2010.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2011. Management has performed their analysis through May 30, 2012, the date the financial statements were available to be issued. Subsequent to December 31, 2011, certain employees are no longer employed by USATF. \$205,000 has been committed in connection with these severances.

---

(Continued)

USA TRACK & FIELD, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

---

**NOTE 3 - ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
USOC	\$ -	\$ 44,904
Sponsors	100,560	536,360
USATF Foundation	116,999	287,866
Event organizers	346,881	174,138
Others	<u>214,696</u>	<u>389,377</u>
	779,136	1,432,645
Allowance for doubtful accounts	<u>(15,740)</u>	<u>(14,720)</u>
	<u>\$ 763,396</u>	<u>\$ 1,417,925</u>

**NOTE 4 - DEFERRED REVENUE**

Deferred revenue consists of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Deferred sponsorship revenue	\$ 1,191,667	\$ 1,041,667
Deferred USOC revenue	742,688	100,000
Rights fees for future events	240,000	257,500
Deferred membership revenue	366,032	369,033
Other deferred revenue	<u>251,059</u>	<u>111,933</u>
	<u>\$ 2,791,446</u>	<u>\$ 1,880,133</u>

**NOTE 5 - OPERATING LEASES**

In 2010, USATF entered into a five-year operating lease for storage facilities expiring on August 31, 2015. In early 2008, USATF entered into operating leases for office and parking facilities expiring on December 31, 2020 and March 31, 2013, respectively. These leases have fluctuating rent payments. Approximate future minimum payments required under current operating leases with noncancelable lease terms in excess of one year are as follows:

2012	\$ 208,026
2013	187,493
2014	179,618
2015	168,186
2016	140,186
Thereafter	<u>576,147</u>
	<u>\$ 1,459,656</u>

Rent expense under the terms of these leases for the years ended December 31, 2011 and 2010 was \$205,791 and \$198,588, respectively.

---

(Continued)

**NOTE 6 - RETIREMENT PLAN**

USATF has a 401(k) plan, allowing both employer and employee contributions. USATF matches 100% of employee contributions up to 5% of compensation, as defined by the plan. Matching contributions are 100% vested. In addition, for all employees with at least one year of service, USATF may contribute additional discretionary employer contributions, as defined by the plan. Discretionary contributions vest ratably over a six-year period. Discretionary employer contributions equaled 5% and 10% in 2011 and 2010.

Retirement plan expense for 2011 and 2010 was \$258,120 and \$340,567.

**NOTE 7 - RELATED PARTIES**

USA Track & Field Foundation, Inc.: The USA Track & Field Foundation, Inc. (the Foundation) was formed in 2002 to attract funding and support new and innovative track and field programs and expand involvement in the sport. The Foundation is classified under the Internal Revenue Service Code as a 501(c)(3) organization. The Foundation is governed by an independent Board of Directors and its net assets and financial results are not included in the USATF financial statements. While the Foundation Board of Directors is independent of USATF, two seats on the Foundation Board are reserved for the USATF CEO and Board President. Also, in 2011 and 2010 the USATF Board and Foundation Board included two additional common board members. In addition, USATF provides administrative support to the Foundation and the Foundation has provided grants directly to USATF for specific programs as detailed below.

Certain expenses of the Foundation are paid by USATF on behalf of the Foundation. All direct costs incurred by USATF on behalf of the Foundation are reimbursed by the Foundation. Total expenses paid on behalf of the Foundation during 2011 and 2010 were \$190,947 and \$182,825, of which \$156,659 and \$157,227 were reimbursed by the Foundation. Unreimbursed expenses are personnel and overhead costs of USATF staff support provided to the Foundation. During 2011 and 2010, the Foundation provided \$20,000 in grants to USATF designated for specific programs supporting youth development through competitive opportunities. In addition, in 2010 the Foundation provided a \$20,000 grant to USATF designated for specific programs supporting youth anti-doping and healthy lifestyles education. See Note 3 for the amount owed to USATF by the Foundation as of December 31, 2011 and 2010.

**NOTE 8 - LITIGATION**

USATF is a defendant in certain lawsuits. Management intends to vigorously contest these cases and does not expect their outcome to have a material effect on USATF's financial position. In addition, management believes its insurance policies are adequate.