

USA TRACK & FIELD, INC.

FINANCIAL STATEMENTS

December 31, 2010 and 2009

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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, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2010 and 2009, 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

Indianapolis, Indiana
June 6, 2011

USA TRACK & FIELD, INC
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 5,853,775	\$ 3,804,814
Accounts receivable, net	1,417,925	1,774,603
Inventory	1,137,939	379,207
Prepaid expenses and other assets	317,331	306,484
Property and equipment, net	<u>253,451</u>	<u>241,388</u>
	<u>\$ 8,980,421</u>	<u>\$ 6,506,496</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,679,032	\$ 1,653,535
Deferred revenue	<u>1,880,133</u>	<u>1,949,583</u>
Total liabilities	<u>5,559,165</u>	<u>3,603,118</u>
Net assets		
Unrestricted	3,381,098	2,868,521
Temporarily restricted	<u>40,158</u>	<u>34,857</u>
Total net assets	<u>3,421,256</u>	<u>2,903,378</u>
	<u>\$ 8,980,421</u>	<u>\$ 6,506,496</u>

See accompanying notes to financial statements.

USA TRACK & FIELD, INC
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Revenue and support:		
Sponsorships, net	\$ 10,754,308	\$ 6,816,144
United States Olympic Committee grants	2,904,879	1,490,608
Events and athlete programs	1,188,608	1,073,655
Member-based programs	2,623,086	2,429,621
Merchandise sales	1,281,134	857,884
Other revenue	688,020	519,386
Net assets released from restriction	<u>8,459</u>	<u>15,655</u>
Total revenue and support	19,448,494	13,202,953
Expenses:		
Program expenses		
Elite athlete competitions	7,099,608	6,289,467
Sport Performance	3,802,930	2,115,434
Grass roots programs	1,046,265	1,014,627
Member-based programs	1,904,890	1,855,786
Program support	1,630,228	1,553,152
Cost of goods sold	<u>1,150,864</u>	<u>538,809</u>
Total program expenses	16,634,785	13,367,275
Administration and governance	<u>2,301,132</u>	<u>1,023,309</u>
Total expenses	<u>18,935,917</u>	<u>14,390,584</u>
Change in unrestricted net assets	512,577	(1,187,631)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	13,760	15,673
Net assets released from restriction	<u>(8,459)</u>	<u>(15,655)</u>
Change in temporarily restricted net assets	<u>5,301</u>	<u>18</u>
Total change in net assets	517,878	(1,187,613)
Net assets at beginning of year	<u>2,903,378</u>	<u>4,090,991</u>
Net assets at end of year	<u>\$ 3,421,256</u>	<u>\$ 2,903,378</u>

See accompanying notes to financial statements.

USA TRACK & FIELD, INC
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 517,878	\$ (1,187,613)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	89,233	81,325
Donated inventory	(1,285,699)	(247,298)
Changes in operating assets and liabilities		
Accounts receivable	356,678	305,230
Inventory	526,967	281,423
Prepaid expenses and other assets	(10,847)	320,906
Accounts payable and accrued expenses	2,025,497	208,998
Deferred revenue	<u>(69,450)</u>	<u>795,730</u>
Net cash provided by operating activities	<u>2,150,257</u>	<u>558,701</u>
Cash flows from investing activities		
Acquisitions of property and equipment	<u>(101,296)</u>	<u>(163,927)</u>
Net cash used in investing activities	<u>(101,296)</u>	<u>(163,927)</u>
Net increase in cash and cash equivalents	2,048,961	394,774
Cash and cash equivalents at beginning of year	<u>3,804,814</u>	<u>3,410,040</u>
Cash and cash equivalents at end of year	<u>\$ 5,853,775</u>	<u>\$ 3,804,814</u>
 Supplemental cash flows information		
Non-cash transactions:		
In-kind contributions	\$ 3,240,314	\$ 1,690,448

See accompanying notes to financial statements.

USA TRACK & FIELD, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 2010 and 2009, USATF received approximately 70% and 62% 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 \$- and \$15,000 for 2010 and 2009.

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.

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USA TRACK & FIELD, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

USATF is no longer subject to examination by taxing authorities for years before 2007. 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, 2010 and 2009.

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, and shown net of agency commissions of \$- and \$420,013 for 2010 and 2009. 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 2010 and 2009 of \$3,240,314 and \$1,690,448, 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 Statement of Activities. No revenue or expense is recognized when the value of the services provided cannot be objectively or reasonably estimated.

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USA TRACK & FIELD, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2010 and 2009, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$403,637 and \$330,257.

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.

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USA TRACK & FIELD, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$40,158 and \$34,857 at December 31, 2010 and 2009. Temporarily restricted net assets released from restriction during the year ended December 31, 2010 and 2009 totaled \$8,459 and \$15,655.

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, 2010 and 2009.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2010. Management has performed their analysis through June 6, 2011, the date the financial statements were available to be issued. See Note 8 for additional disclosure.

Reclassifications: Certain 2009 amounts have been reclassified to conform to the 2010 presentation. The reclassifications had no effect on total net assets or the change in net assets.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
USOC	\$ 44,904	\$ 936,747
Sponsors	536,360	473,612
USATF Foundation	287,866	101,858
Event organizers	174,138	153,757
Others	<u>389,377</u>	<u>146,371</u>
	1,432,645	1,812,345
Allowance for doubtful accounts	<u>(14,720)</u>	<u>(37,742)</u>
	<u>\$ 1,417,925</u>	<u>\$ 1,774,603</u>

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USA TRACK & FIELD, INC
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NOTE 4 - DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2010 and 2009:

	2010	2009
Deferred sponsorship revenue	\$ 1,041,667	\$ 1,291,667
Deferred USOC revenue	100,000	-
Rights fees for future events	257,500	165,000
Deferred membership revenue	369,033	345,426
Other deferred revenue	<u>111,933</u>	<u>147,490</u>
	<u>\$ 1,880,133</u>	<u>\$ 1,949,583</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:

2011	\$ 204,540
2012	208,026
2013	187,493
2014	179,618
2015	168,186
Thereafter	<u>716,332</u>
	<u>\$ 1,664,195</u>

Rent expense under the terms of these leases for the years ended December 31, 2010 and 2009 was \$198,588 and \$198,900, respectively.

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 10% in 2010 and 2009.

Retirement plan expense for 2010 and 2009 was \$340,567 and \$294,754.

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USA TRACK & FIELD, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 2009 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 2010 and 2009 were \$182,825 and \$255,812, of which \$157,227 and \$214,771 were reimbursed by the Foundation. Unreimbursed expenses are personnel and overhead costs of USATF staff support provided to the Foundation. During both 2010 and 2009, the Foundation provided \$40,000 in grants to USATF designated for specific programs supporting youth development through competitive opportunities and youth anti-doping and healthy lifestyles education. See Note 3 for the amount owed to USATF by the Foundation as of December 31, 2010 and 2009.

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.

Subsequent to December 31, 2010, USATF reached a mediation agreement with a former employee. An additional liability was recorded on the 2010 statement of financial position in relation to this agreement.