

CONSOLIDATED FINANCIAL STATEMENTS

United States Gymnastics Federation  
Years Ended December 31, 2006 and 2005  
With Report of Independent Auditors

United States Gymnastics Federation

Consolidated Financial Statements

Years Ended December 31, 2006 and 2005

**Contents**

Report of Independent Auditors .....	1
Audited Consolidated Financial Statements	
Consolidated Statements of Financial Position .....	2
Consolidated Statements of Activities and Changes in Net Assets.....	3
Consolidated Statements of Cash Flows .....	4
Notes to Consolidated Financial Statements .....	5
Other Financial Information	
Consolidating Statement of Financial Position .....	11
Consolidating Statement of Activities and Changes in Net Assets .....	12
Consolidating Statement of Cash Flows.....	13

## Report of Independent Auditors

The Board of Directors  
United States Gymnastics Federation

We have audited the accompanying consolidated statements of financial position of the United States Gymnastics Federation (the Federation) as of December 31, 2006 and 2005, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Federation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Federation's internal control over financial reporting. Our audit included 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 Federation's internal control over financial reporting. Accordingly, we express no such opinion. 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 consolidated financial position of the United States Gymnastics Federation at December 31, 2006 and 2005, and the results of its activities and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying 2006 consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

*Ernst + Young LLP*

July 25, 2007

# United States Gymnastics Federation

## Consolidated Statement of Financial Position

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,425,115	\$ 5,544,228
Investments	3,811,447	3,459,792
Accounts receivable	234,743	555,826
Inventories	158,052	156,282
Prepaid expenses and other	736,271	410,775
	<u>11,365,628</u>	<u>10,126,903</u>
Furnishings and equipment	1,411,199	1,397,493
Less accumulated depreciation	<u>(1,098,783)</u>	<u>(969,538)</u>
	312,416	427,955
Total assets	<u>\$ 11,678,044</u>	<u>\$ 10,554,858</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 656,993	\$ 677,550
Deferred revenue	3,322,067	3,281,541
	<u>3,979,060</u>	<u>3,959,091</u>
Net assets:		
Unrestricted	7,194,102	6,167,554
Temporarily restricted	504,880	428,213
	<u>7,698,982</u>	<u>6,595,767</u>
Total liabilities and net assets	<u>\$ 11,678,042</u>	<u>\$ 10,554,858</u>

*See accompanying notes.*

# United States Gymnastics Federation

## Consolidated Statement of Activities and Changes in Net Assets

	Year Ended December 31	
	2006	2005
<b>Unrestricted Net Assets</b>		
Revenue and support:		
Marketing and events	\$ 3,256,084	\$ 2,960,319
Communications	508,766	502,453
Program:		
Women's gymnastics	564,597	1,553,878
Men's gymnastics	131,499	71,510
Trampoline and tumbling	480,381	523,279
Sports acrobatics	516,764	437,750
Rhythmic gymnastics	71,178	82,562
General gymnastics	35,563	31,117
	1,799,982	2,700,096
Member services	7,162,847	7,477,216
Administrative:		
United States Olympic Committee	1,633,575	1,553,178
Net investment income	602,012	335,928
Other	76,963	76,999
	2,312,550	1,966,105
Total revenue and support	15,040,229	15,606,189
Expenses:		
Marketing and events	2,524,789	1,868,761
Communications	1,260,898	1,128,428
Program:		
Women's gymnastics	2,257,989	2,450,220
Men's gymnastics	1,313,271	1,210,184
Trampoline and tumbling	728,119	850,219
Rhythmic gymnastics	452,769	547,559
Sports Acrobatics	585,995	524,695
General gymnastics	52,371	21,252
International relations	115,048	90,991
	5,505,562	5,695,120
Member services	2,797,990	2,913,591
Administrative	1,850,566	1,813,543
Governance	73,876	71,693
Total expenses	14,013,681	13,491,136
Increase in unrestricted net assets	1,026,548	2,115,053
<b>Temporarily Restricted Net Assets</b>		
Contributions	79,667	80,363
Restricted grants	(3,000)	(5,022)
Net increase in temporarily restricted net assets	76,667	75,341
Increase in net assets	1,103,215	2,190,394
Net assets at beginning of year	6,595,767	4,405,373
Net assets at end of year	\$ 7,698,982	\$ 6,595,767

See accompanying notes

United States Gymnastics Federation

Consolidated Statement of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating activities</b>		
Increase in net assets	\$ 1,103,215	\$ 2,190,394
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized gain on sale of investments	(200,234)	(424,721)
Unrealized (gain) loss on investments	(81,465)	266,400
Depreciation expense	219,923	232,759
Changes in operating assets and liabilities:		
Accounts receivable	321,083	243,733
Inventories	(1,770)	(32,873)
Prepaid expenses and other	(325,496)	(82,688)
Accounts payable	(20,557)	(526,994)
Deferred revenue	40,526	283,687
Net cash provided by operating activities	<u>1,055,225</u>	<u>2,149,697</u>
<b>Investing activities</b>		
Purchases of investments	(1,908,607)	(2,805,189)
Proceeds on sale or maturity of investments	1,838,653	2,789,179
Purchases of furnishings and equipment	(104,384)	(47,907)
Disposals of furnishings and equipment	-	71,059
Net cash provided by investing activities	<u>(174,338)</u>	<u>7,142</u>
Increase in cash and cash equivalents	880,887	2,156,839
Cash and cash equivalents at beginning of year	5,544,228	3,387,389
Cash and cash equivalents at end of year	<u>\$ 6,425,115</u>	<u>\$ 5,544,228</u>

See accompanying notes.

# United States Gymnastics Federation

## Notes to Consolidated Financial Statements

December 31, 2006

### **1. Organization**

The United States Gymnastics Federation (the Federation) is the designated National Governing Body for the Olympic sport of gymnastics. The Federation was so designated by the United States Olympic Committee (the USOC) and is a Group A member of the USOC. The Federation is also the United States representative to the Federation Internationale De Gymnastique (FIG), an organization whose purpose is to promote the development of the sport of gymnastics throughout the world. In addition to organizing the United States Olympic Gymnastics Team and other national teams, the Federation supports and promotes the sports of gymnastics through athlete and coach development, event sanctioning, safety, and education. The Federation also organizes and operates national and international amateur competition in the sports of trampoline, double mini-tramp, power tumbling, and sports acrobatics.

As a National Governing Body, the Federation 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.

In 1988, the Federation formed The National Gymnastics Foundation, Inc. (the Foundation) to further the Olympic sport of gymnastics through educational grants and other support activities governed by an independent Board of Directors.

### **2. Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Federation and the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### **Revenue Recognition**

Membership services revenue is recognized ratably over the membership period. Television rights fees, gate receipts, and other event revenue, including event sponsorships, are recognized upon completion of the respective tour or event. National sponsorships are recognized ratably over the sponsorship period.

Prepaid amounts received pursuant to sponsorship agreements or from prepaid memberships are recorded as deferred revenue and recognized in subsequent periods when the corresponding programs are conducted or expenses are incurred.

# United States Gymnastics Federation

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

The Federation records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget relieving and relates to events and programs under the Federation's control. In-kind sponsorships are recognized at the fair value of the noncash consideration received. The revenue and corresponding expense recognized represent an objective estimate of the goods and services provided.

#### **Contributions**

Contributions are recorded at fair value at the date the pledge or contribution is received. Contributions received that may be expended only as designated by the donor are recorded as additions to temporarily restricted net assets in the accompanying consolidated financial statements.

#### **Cash Equivalents**

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

#### **Investments**

Investments in securities are recorded at fair value. Realized gains and losses are calculated as the difference between net cash received upon sale and the cost of the specific investment. Unrealized gains and losses are calculated as the change in the difference between fair value and historical cost of investments held at year-end.

The fair value for investments which are traded on a national securities exchange is based on the last reported sales price on the last business day of the year; for investments traded on the over-the-counter market and listed securities for which no sale was reported on the last business day of the year, fair value is based on the last reported bid price.

Interest and dividend income and realized gains and losses derived from temporarily restricted net assets are recorded as unrestricted revenue unless specifically restricted by the donor. Certain temporarily restricted net assets are allocated to a portion of total investment earnings based on the percentage of their balances in proportion to the total investments.



# United States Gymnastics Federation

## Notes to Consolidated Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts payable, and investments. The carrying amounts reported in the consolidated statement of financial position for all financial instruments equal or approximate fair value.

#### Accounts Receivable

Accounts receivable are recorded at face value and are net of any allowance for doubtful accounts determined during management's periodic evaluations. At December 31, 2006 and 2005, no allowance for doubtful accounts was considered necessary. In addition, accounts receivable include amounts due from five entities total \$167,657 and \$452,497 at December 31, 2006 and 2005, respectively.

#### Inventories

Promotional material and publication inventories are stated at the lower of cost or market determined on a first-in, first-out basis.

#### Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value when received. Depreciation is provided by the straight-line method over the estimated useful lives of the respective assets.

#### Net Assets

Net assets are allocated to and accounted for in individual categories based upon the purposes for which they are intended. Unrestricted net assets have no donor-imposed restrictions placed upon them. Certain unrestricted net assets have been designated by the Board of Directors for specific purposes. Temporarily restricted net assets included assets whose use is limited by donor-imposed stipulations.

# United States Gymnastics Federation

## Notes to Consolidated Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

#### Income Tax Status

The Internal Revenue Service has ruled that both the Federation and Foundation qualify under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income taxation under present income tax laws.

### 3. USOC Support

USOC provides support for sport development, international competition, and team preparation through either advances or reimbursements. Such revenue is recognized concurrently with the related expenses. Expenditures are recorded in the program-related accounts. Beginning mid-year 2005, USOC began making payments directly to athletes receiving support through the Federation's athlete support program that in previous years had been paid to the Federation for disbursements to the athletes. Amounts related to athlete support are recognized both as USOC support and corresponding program expense in the consolidated statement of activities and changes in net assets for the year ended December 31:

	<u>2006</u>	<u>2005</u>
Performance Pool Grants	\$ 1,273,100	\$ 1,291,927
Athlete Funding	346,660	-
International Relations Grant	13,815	11,251
Base Funding	-	250,000
	<u>\$ 1,633,575</u>	<u>\$ 1,553,178</u>

# United States Gymnastics Federation

## Notes to Consolidated Financial Statements (continued)

### 4. Investments

Investments at December 31 consist of the following:

	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Common stock	\$ 2,684,708	\$ 2,438,362	\$ 2,505,284	\$2,333,788
United States government agency notes and corporate obligations	1,126,739	1,144,528	954,508	978,912
	<u>\$ 3,811,447</u>	<u>\$ 3,582,890</u>	<u>\$ 3,459,792</u>	<u>\$ 3,312,700</u>

### 5. Retirement Plan

In 1986, the Federation established a defined-contribution retirement plan for all eligible employees who elected participation. The Federation's contribution was equal to 6% of each participant's salary for 2006 and 2005. Total expense for the retirement plan was approximately \$119,000 and \$133,000 for 2006 and 2005, respectively.

### 6. Temporarily Restricted Net Assets

The Board of Directors of the National Gymnastics Foundation internally designates a portion of the total investment earnings to temporarily restricted net assets to be used by each respective fund's donor-designated purpose. Investment earnings are allocated based on the percentage of each fund's balance in proportion to the total investments.

# United States Gymnastics Federation

## Notes to Consolidated Financial Statements (continued)

### 6. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets, including the cumulative allocated portion of investment earnings, consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Zimpfer Fund	\$ 157,200	\$ 135,528
Men's Scholarship Fund	453,477	360,894
Other Funds	128,701	114,514
	<u>739,378</u>	<u>610,936</u>
Less cumulative internally designated investment earnings	<u>(234,498)</u>	<u>(182,723)</u>
	<u>\$ 504,880</u>	<u>\$ 428,213</u>

## Other Financial Information

United States Gymnastics Federation  
Consolidating Statement of Financial Position

December 31, 2006

	US Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 6,229,652	\$ 195,463	\$ -	\$ 6,425,115
Investments	-	3,811,447	-	3,811,447
Accounts receivable	234,743	-	-	234,743
Inventories	158,052	-	-	158,052
Prepaid expenses	719,984	16,287	-	736,271
Amount due from US Gymnastics	18,593	-	(18,593)	-
	<u>7,361,024</u>	<u>4,023,197</u>	<u>(18,593)</u>	<u>11,365,628</u>
Furnishings and equipment	1,411,199	-	-	1,411,199
Less accumulated depreciation	(1,098,783)	-	-	(1,098,783)
	<u>312,416</u>	<u>-</u>	<u>-</u>	<u>312,416</u>
Total assets	<u>\$ 7,673,440</u>	<u>\$ 4,023,197</u>	<u>\$ (18,593)</u>	<u>\$ 11,678,044</u>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable	\$ 644,906	\$ 12,087	\$ -	\$ 656,993
Amounts due to US Gymnastics	-	18,593	(18,593)	-
Deferred revenue	3,322,067	-	-	3,322,067
	<u>3,966,973</u>	<u>30,680</u>	<u>(18,593)</u>	<u>3,979,060</u>
Net assets:				
Unrestricted	3,706,467	3,487,635	-	7,194,102
Temporarily Restricted	-	504,880	-	504,880
	<u>3,706,467</u>	<u>3,992,515</u>	<u>-</u>	<u>7,698,982</u>
Total liabilities and net assets	<u>\$ 7,673,440</u>	<u>\$ 4,023,195</u>	<u>\$ (18,593)</u>	<u>\$ 11,678,042</u>

See accompanying notes.

# United States Gymnastics Federation

## Consolidating Statement of Activities and Changes in Net Assets

Year Ended December 31, 2006

	US Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
<b>Unrestricted Net Assets</b>				
Revenue and support:				
Marketing and Events	\$ 3,256,084	\$ —	\$ —	\$ 3,256,084
Communications	508,766	—	—	508,766
Program:				
Women's gymnastics	564,597	—	—	564,597
Men's gymnastics	131,499	—	—	131,499
Trampoline and tumbling	480,381	—	—	480,381
Sports acrobatics	516,764	—	—	516,764
Rhythmic gymnastics	71,178	—	—	71,178
General gymnastics	35,563	—	—	35,563
	<u>1,799,982</u>	<u>—</u>	<u>—</u>	<u>1,799,982</u>
Member Services	7,162,847	—	—	7,162,847
Administrative:				
United States Olympic Committee	1,633,575	—	—	1,633,575
Foundation Grants	—	—	—	—
Net investment income	203,628	398,384	—	602,012
Other	76,963	—	—	76,963
	<u>1,914,166</u>	<u>398,384</u>	<u>—</u>	<u>2,312,550</u>
Total revenue and support	<u>14,641,845</u>	<u>398,384</u>	<u>—</u>	<u>15,040,229</u>
Expenses:				
Marketing and Events	2,524,789	—	—	2,524,789
Communications	1,260,898	—	—	1,260,898
Program:				
Women's gymnastics	2,257,989	—	—	2,257,989
Men's gymnastics	1,313,271	—	—	1,313,271
Trampoline and tumbling	728,119	—	—	728,119
Rhythmic gymnastics	452,769	—	—	452,769
Sports Acrobatics	585,995	—	—	585,995
General gymnastics	52,371	—	—	52,371
International relations	115,048	—	—	115,048
	<u>5,505,562</u>	<u>—</u>	<u>—</u>	<u>5,505,562</u>
Member Services	2,797,990	—	—	2,797,990
Administrative	1,800,316	50,250	—	1,850,566
Governance	67,645	6,231	—	73,876
Total expenses	<u>13,957,200</u>	<u>56,481</u>	<u>—</u>	<u>14,013,681</u>
Increase in unrestricted net assets	684,645	341,903	—	1,026,548
<b>Temporarily Restricted Net Assets</b>				
Contributions	—	79,667	—	79,667
Restricted grants	—	(3,000)	—	(3,000)
Net Increase in temporarily restricted net assets	<u>—</u>	<u>76,667</u>	<u>—</u>	<u>76,667</u>
Increase in net assets	684,645	418,570	—	1,103,215
Net assets at beginning of year	3,021,822	3,573,945	—	6,595,767
Net assets at end of year	<u>\$ 3,706,467</u>	<u>\$ 3,992,515</u>	<u>\$ —</u>	<u>\$ 7,698,982</u>

See accompanying notes

United States Gymnastics Federation  
Consolidating Statement of Cash Flows

Year Ended December 31, 2006

	USA			Consolidated
	Gymnastics	NGF	Eliminations	
<b>Operating activities</b>				
Increase in net assets	\$ 684,645	\$ 418,570	\$ -	\$ 1,103,215
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Realized gain on sale of investments	-	(200,234)		(200,234)
Unrealized gain on investments	-	(81,465)		(81,465)
Depreciation expense	219,923			219,923
Changes in operating assets and liabilities:				
Accounts receivable	321,083	-		321,083
Amount due from National Gymnastics Foundation, Inc.	278,549	-	(278,549)	-
Inventories	(1,770)	-		(1,770)
Prepaid expenses and other	(318,872)	(6,624)		(325,496)
Accounts payable	(23,917)	3,360		(20,557)
Due to USA Gymnastics	-	(278,549)	278,549	-
Deferred revenue	40,526	-		40,526
Net cash provided by operating activities	1,200,167	(144,942)	-	1,055,225
<b>Investing Activities</b>				
Purchase of investments	-	(1,908,607)	-	(1,908,607)
Proceeds on sale or maturity of investments	-	1,838,653	-	1,838,653
Purchases of furnishings and equipment	(104,384)			(104,384)
Disposals of furniture and equipment	-			-
	(104,384)	(69,954)	-	(174,338)
Increase in cash and cash equivalents	1,095,783	(214,896)	-	880,887
Cash and cash equivalents at beginning of year	5,133,869	410,359		5,544,228
Cash and cash equivalents at end of year	<u>\$ 6,229,652</u>	<u>\$ 195,463</u>	<u>\$ -</u>	<u>\$ 6,425,115</u>

See accompanying notes.