

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
United States Gymnastics Federation
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of the United States Gymnastics Federation (the Federation) as of December 31, 2010 and 2009 and the related consolidated statements of activities 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Federation 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.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information, as listed in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 16, 2011

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 3,599,402	\$ 2,404,152
Investments (Note 5)	11,457,875	10,438,137
Accounts receivable	430,057	246,839
Inventories	72,817	73,876
Prepaid expenses and other assets	832,977	773,489
Furnishings and equipment (net of accumulated depreciation of \$478,462 and \$307,549 for 2010 and 2009)	<u>493,124</u>	<u>557,283</u>
Total assets	<u>\$ 16,886,252</u>	<u>\$ 14,493,776</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 800,023	\$ 654,484
Funds held for others (Note 11)	1,273,721	-
Deferred revenue (Note 4)	<u>4,004,511</u>	<u>3,870,849</u>
Total liabilities	6,078,255	4,525,333
Net assets:		
Unrestricted	9,948,161	9,213,031
Temporarily restricted (Note 7)	<u>859,836</u>	<u>755,412</u>
Total net assets	<u>10,807,997</u>	<u>9,968,443</u>
Total liabilities and net assets	<u>\$ 16,886,252</u>	<u>\$ 14,493,776</u>

See accompanying notes to financial statements

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>2009</u>
Revenue:				
Contributions	\$ -	\$ 154,972	\$ 154,972	\$ 125,613
Marketing and events	4,364,971	-	4,364,971	3,728,563
Communications and publications	429,342	-	429,342	499,064
Program:				
Women's gymnastics	823,760	-	823,760	1,030,577
Men's gymnastics	111,092	-	111,092	154,071
Trampoline and tumbling	630,085	-	630,085	576,025
Sports acrobatics	416,089	-	416,089	499,520
Rhythmic gymnastics	162,088	-	162,088	159,162
General gymnastics	<u>23,556</u>	<u>-</u>	<u>23,556</u>	<u>80,735</u>
Total program	2,166,670	-	2,166,670	2,500,090
Member services	7,918,539	-	7,918,539	7,694,978
Administrative:				
United States Olympic Committee (Note 3)	2,163,204	-	2,163,204	1,899,067
Other	158,257	-	158,257	228,963
Releases from restriction	<u>50,548</u>	<u>(50,548)</u>	<u>-</u>	<u>-</u>
Total administrative	<u>2,372,009</u>	<u>(50,548)</u>	<u>2,321,461</u>	<u>2,128,030</u>
Total revenue	17,251,531	104,424	17,355,955	16,676,338
Expenses:				
Program services:				
Marketing and events	3,499,026	-	3,499,026	2,601,170
Member services	2,956,575	-	2,956,575	3,069,101
Communications	1,513,254	-	1,513,254	1,443,190
Women's gymnastics	2,930,371	-	2,930,371	2,785,750
Men's gymnastics	1,519,266	-	1,519,266	1,323,597
Trampoline and tumbling	928,577	-	928,577	930,748
Sports acrobatics	556,253	-	556,253	606,821
Rhythmic gymnastics	768,677	-	768,677	740,724
General gymnastics	59,837	-	59,837	169,164
International relations	<u>136,429</u>	<u>-</u>	<u>136,429</u>	<u>133,107</u>
Total program services expense	14,868,265	-	14,868,265	13,803,372
Supporting services:				
Administrative	2,370,297	-	2,370,297	2,127,223
Governance	<u>51,648</u>	<u>-</u>	<u>51,648</u>	<u>49,642</u>
Total supporting services expense	<u>2,421,945</u>	<u>-</u>	<u>2,421,945</u>	<u>2,176,865</u>
Total expenses	<u>17,290,210</u>	<u>-</u>	<u>17,290,210</u>	<u>15,980,237</u>
Change in net assets, before investment returns	(38,679)	104,424	65,745	696,101
Investment returns (Note 5)	<u>773,809</u>	<u>-</u>	<u>773,809</u>	<u>1,201,506</u>
Change in net assets	735,130	104,424	839,554	1,897,607
Net assets, beginning of year	<u>9,213,031</u>	<u>755,412</u>	<u>9,968,443</u>	<u>8,070,836</u>
Net assets, end of year	<u>\$ 9,948,161</u>	<u>\$ 859,836</u>	<u>\$ 10,807,997</u>	<u>\$ 9,968,443</u>

See accompanying notes to financial statements

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
Revenue:			
Contributions	\$ -	\$ 125,613	\$ 125,613
Marketing and events	3,728,563	-	3,728,563
Communications and publications	499,064	-	499,064
Program:			
Women's gymnastics	1,030,577	-	1,030,577
Men's gymnastics	154,071	-	154,071
Trampoline and tumbling	576,025	-	576,025
Sports acrobatics	499,520	-	499,520
Rhythmic gymnastics	159,162	-	159,162
General gymnastics	80,735	-	80,735
Total program	<u>2,500,090</u>	<u>-</u>	<u>2,500,090</u>
Member services	7,694,978	-	7,694,978
Administrative:			
United States Olympic Committee (Note 3)	1,899,067	-	1,899,067
Other	228,963	-	228,963
Releases from restriction	11,823	(11,823)	-
Total administrative	<u>2,139,853</u>	<u>(11,823)</u>	<u>2,128,030</u>
Total revenue	16,562,548	113,790	16,676,338
Expenses:			
Program services:			
Marketing and events	2,601,170	-	2,601,170
Member services	3,069,101	-	3,069,101
Communications	1,443,190	-	1,443,190
Women's gymnastics	2,785,750	-	2,785,750
Men's gymnastics	1,323,597	-	1,323,597
Trampoline and tumbling	930,748	-	930,748
Sports acrobatics	606,821	-	606,821
Rhythmic gymnastics	740,724	-	740,724
General gymnastics	169,164	-	169,164
International relations	133,107	-	133,107
Total program services expense	<u>13,803,372</u>	<u>-</u>	<u>13,803,372</u>
Supporting services:			
Administrative	2,127,223	-	2,127,223
Governance	49,642	-	49,642
Total supporting services expense	<u>2,176,865</u>	<u>-</u>	<u>2,176,865</u>
Total expenses	<u>15,980,237</u>	<u>-</u>	<u>15,980,237</u>
Change in net assets, before investment return	582,311	113,790	696,101
Investment returns (Note 5)	<u>1,201,506</u>	<u>-</u>	<u>1,201,506</u>
Change in net assets	1,783,817	113,790	1,897,607
Net assets, beginning of year	<u>7,429,214</u>	<u>641,622</u>	<u>8,070,836</u>
Net assets, end of year	<u>\$ 9,213,031</u>	<u>\$ 755,412</u>	<u>\$ 9,968,443</u>

See accompanying notes to financial statements

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATED 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	\$ 839,554	\$ 1,897,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on sale of investments	(353,198)	7,838
Unrealized gain on investments	(126,089)	(994,751)
Depreciation expense	176,091	160,254
Changes in assets and liabilities		
Accounts receivable	(183,218)	533,380
Inventories	1,060	(1,454)
Prepaid expenses and other assets	(59,488)	30,969
Accounts payable and accrued expenses	145,538	(98,334)
Funds held for others	1,273,721	-
Deferred revenue	<u>133,662</u>	<u>(41,110)</u>
Net cash provided by operating activities	1,847,633	1,494,399
Cash flows from investing activities		
Purchases of investments	(4,540,367)	(7,845,601)
Proceeds of sale or maturity of investments	3,999,915	2,000,014
Purchases of furnishing and equipment	<u>(111,931)</u>	<u>(233,044)</u>
Net cash used in investing activities	<u>(652,383)</u>	<u>(6,078,631)</u>
Increase (decrease) in cash and cash equivalents	1,195,250	(4,584,232)
Cash and cash equivalents, beginning of year	<u>2,404,152</u>	<u>6,988,384</u>
Cash and cash equivalents, end of year	<u>\$ 3,599,402</u>	<u>\$ 2,404,152</u>
Supplemental cash flows information		
Non-cash transactions:		
In-kind contributions and expense	\$ 407,308	\$ 366,588

See accompanying notes to financial statements

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - ORGANIZATION

The United States Gymnastics Federation (the Federation) is the designated National Governing Body of 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.

NOTE 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.

Use of Estimates: The preparation of 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

Revenue Recognition: Membership services revenue is recognized ratably over the membership period. Program-related revenues, including television rights, fees, gate receipts, event sponsorships and other event revenue, are recognized upon completion of the respective tour or event. National sponsorships are recognized ratably over the sponsorship period.

The Federation records the value of in-kind goods and services as revenue and expense when the in-kind contribution relates to events and programs under the Federation's control. In-kind sponsorships, which are recognized at the fair value of the non-cash consideration received, totaled approximately \$407,308 and \$366,588 for 2010 and 2009. 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.

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000 per financial institution. Additionally, for purposes of the statement of cash flows, the Federation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The first \$250,000 of deposits per financial institution is insured by a government agency. The Federation periodically has balances in excess of this limit.

Investments: Under GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted market prices or dealer quotes in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair value on the date of the gift if they were received as a donation. Investment returns are recorded in the statement of activities.

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 designated a portion of total unrestricted investment returns based on the percentage of their balances in proportion to the total investments.

Accounts Receivable: Accounts receivable consist of amounts due under sponsorship or other agreements, or in relation to event and other fees, and are recorded at face value net of any allowance for doubtful accounts. The need for an allowance was determined by management by a process involving consideration of past experience and current delinquent account information, and an assessment of the receivables aging. At December 31, 2010 and 2009, no allowance for doubtful accounts was considered necessary. Interest is not charged on outstanding receivables.

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 with an original cost of \$1,000 or more 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. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Impairment of Long-Lived Assets: On an ongoing basis, the Federation reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Federation 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.

Deferred Revenue: 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.

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 supporting services categories based on the actual direct expenditures and cost allocations based upon estimates by Federation personnel.

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Federation. The unrestricted net assets may be used to support the Federation's purposes and operations. As disclosed in Note 7, certain unrestricted net assets have been designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - The temporarily restricted net asset class includes assets of the Federation 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. The nature of the Federation's temporarily restricted net assets is disclosed in Note 7.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets of the Federation 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. The Federation did not have any permanently restricted net assets at December 31, 2010 and 2009.

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 are, therefore, generally not subject to income taxation under present income tax laws. However, the Federation and Foundation are subject to federal tax on any unrelated business taxable income.

A tax position is recognized as a benefit only if it is "more likely than not" that 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 will be recorded.

The Federation is generally no longer subject to examination by taxing authorities for years before 2007. The Federation does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Federation recognizes interest and/or penalties related to income tax matters in income tax expense. The Federation did not have any amounts accrued for interest and penalties at December 31, 2010 or 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 November 16, 2011, the date the financial statements were available to be issued.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – USOC SUPPORT

USOC provides support for sport development, international competition, and team preparation through advances, reimbursements, and contractual agreements. Such revenue is recognized concurrently with the related expenses. Expenditures are recorded in the program-related accounts. In 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 for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Performance Pool Grants	\$ 1,668,876	\$ 1,475,053
Athlete Funding	484,328	424,014
International Relations Grant	<u>10,000</u>	<u>-</u>
	<u>\$ 2,163,204</u>	<u>\$ 1,899,067</u>

NOTE 4 – DEFERRED REVENUE

Deferred revenue consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Memberships	\$ 3,739,940	\$ 3,638,542
Sponsorships and advertising	115,796	119,354
Other	<u>148,775</u>	<u>112,953</u>
	<u>\$ 4,004,511</u>	<u>\$ 3,870,849</u>

NOTE 5 – INVESTMENTS

Investments at December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Certificates of deposit	\$ -	\$ 570,253
Common stock	3,566,357	3,427,632
Equity pooled funds	122,940	-
Call options	(44,796)	-
United States government agency notes	4,196,767	3,815,540
Corporate obligations	<u>3,616,607</u>	<u>2,624,712</u>
	<u>\$ 11,457,875</u>	<u>\$ 10,438,137</u>

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – INVESTMENTS (Continued)

The following schedule summarizes the components of investment return:

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 294,522	\$ 214,593
Net realized gains (losses)	353,198	(7,838)
Net unrealized gains	<u>126,089</u>	<u>994,751</u>
	<u>\$ 773,809</u>	<u>\$ 1,201,506</u>

The various investments in equities and fixed income investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Federation.

NOTE 6 – RETIREMENT PLAN

The Federation has 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 2010 and 2009. Total expense for the retirement plan was \$167,772 and \$159,915 for 2010 and 2009, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

The Board of Directors of the National Gymnastics Foundation designates a portion of the total unrestricted investment returns to temporarily restricted funds, to be used for each respective fund’s donor purpose. Investment returns are allocated based on the percentage of each fund’s balance in proportion to the total investments.

Temporarily restricted net assets, including the effect of cumulative designated portion of unrestricted investment returns, consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Zimpfer Fund	\$ 188,315	\$ 164,188
Men’s Scholarship Fund	685,391	580,231
T&T Scholarship Fund	74,815	50,216
Other Funds	<u>160,745</u>	<u>113,957</u>
	1,109,266	908,592
Cumulative designation of unrestricted investment returns	<u>(249,430)</u>	<u>(153,180)</u>
Temporarily restricted net assets	<u>\$ 859,836</u>	<u>\$ 755,412</u>

Temporarily restricted net assets released from restriction during the years ended December 31, 2010 and 2009 totaled \$50,548 and \$11,823.

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – OPERATING LEASES

In early 2009, the Federation entered into an operating lease for office facilities expiring on December 31, 2020. This lease has fluctuating rent payments. In order to properly recognize rent expense on a straight-line basis over the life of the lease, a deferred rent liability was recorded on the statement of financial position.

Approximate future minimum payments required under operating leases that have non-cancelable lease terms in excess of one year are as follows:

2011	\$ 580,601
2012	572,457
2013	564,433
2014	539,058
2015	547,876
Thereafter	<u>2,840,783</u>
	<u>\$ 5,645,208</u>

Rent expense was \$245,739 and \$215,522 for 2010 and 2009, respectively.

NOTE 9 - DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Federation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of investments that are readily marketable, such as common stock, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by matrix pricing models for United States government agency notes, corporate bonds, and call options (Level 2 input). The market value approach is used for valuation purposes.

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UNITED STATES GYMNASTICS FEDERATION
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NOTE 9 - DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair values of certificates of deposit are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

Assets measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>2010</u> <u>Total</u>	Quoted Prices in Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Assets:				
Common stock:				
Consumer	\$ 1,128,401	\$ 1,128,401	\$ -	\$ -
Technology	658,267	658,267	-	-
Industrial	581,835	581,835	-	-
Energy	504,203	504,203	-	-
Basic materials	261,944	261,944	-	-
Financial services	303,046	303,046	-	-
Utilities	128,661	128,661	-	-
Equity pooled funds	122,940	122,940	-	-
Call options	(44,796)	-	(44,796)	-
United States government agency notes	4,196,767	-	4,196,767	-
Corporate obligations	<u>3,616,607</u>	<u>-</u>	<u>3,616,607</u>	<u>-</u>
	<u>\$ 11,457,875</u>	<u>3,689,297</u>	<u>7,768,578</u>	<u>-</u>

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>2009</u> <u>Total</u>	Quoted Prices in Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Assets:				
Certificates of deposit	\$ 570,253	\$ -	\$ 570,253	\$ -
Common stock:				
Consumer	1,072,644	1,072,644	-	-
Technology	721,506	721,506	-	-
Industrial	562,905	562,905	-	-
Energy	500,987	500,987	-	-
Basic materials	190,014	190,014	-	-
Financial services	254,870	254,870	-	-
Utilities	124,706	124,706	-	-
United States government agency notes	3,815,540	-	3,815,540	-
Corporate obligations	<u>2,624,712</u>	<u>-</u>	<u>2,624,712</u>	<u>-</u>
	<u>\$ 10,438,137</u>	<u>\$ 3,427,632</u>	<u>\$ 7,010,505</u>	<u>\$ -</u>

(Continued)

UNITED STATES GYMNASTICS FEDERATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 10 – RELATED PARTY TRANSACTION

USA Gymnastics may draw on its professional membership and Board of Directors for services in connection with fulfilling its stated mission, such as presentations at clinics and Congress, training camp staffing, elite clinician services, FIG representation, and educational materials development. Board members may be compensated for these services outside of their designated Board of Directors role at rates commensurate with the marketplace.

NOTE 11 – STATES AND REGIONS

USA Gymnastics States and Regions have established bank accounts under the Federation's tax identification number. All funds are maintained for the benefit of the States and Regions. As of December 31, 2009, these funds were not under the financial control of the Federation and were not included in the consolidated financial statements. In May 2010, the Federation began executing financial control of these funds as fiscal agent for a portion of the States and Regions, and a liability of \$1,273,721 has been recorded on the Statement of Financial Position as of December 31, 2010. The Federation continued executing financial control as fiscal agent over additional States and Regions during 2011.

SUPPLEMENTARY INFORMATION

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2010

	U.S. Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 3,095,868	503,534	-	3,599,402
Investments	6,290,291	5,167,584	-	11,457,875
Accounts receivable	427,593	2,464	-	430,057
Inventories	72,817	-	-	72,817
Prepaid expenses and other assets	830,879	2,098	-	832,977
Amount due from National Gymnastics Foundation	327,178	-	(327,178)	-
Furnishings and equipment, net	<u>493,124</u>	<u>-</u>	<u>-</u>	<u>493,124</u>
Total assets	<u>\$ 11,537,750</u>	<u>5,675,680</u>	<u>(327,178)</u>	<u>16,886,252</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 785,862	14,161	-	800,023
Funds held for others	1,273,721	-	-	1,273,721
Amounts due to US Gymnastics Federation	-	327,178	(327,178)	-
Deferred revenue	<u>4,004,511</u>	<u>-</u>	<u>-</u>	<u>4,004,511</u>
Total liabilities	6,064,094	341,339	(327,178)	6,078,255
Net assets:				
Unrestricted	5,473,656	4,474,505	-	9,948,161
Temporarily restricted	<u>-</u>	<u>859,836</u>	<u>-</u>	<u>859,836</u>
Total net assets	<u>5,473,656</u>	<u>5,334,341</u>	<u>-</u>	<u>10,807,997</u>
Total liabilities and net assets	<u>\$ 11,537,750</u>	<u>5,675,680</u>	<u>(327,178)</u>	<u>16,886,252</u>

See accompanying report of independent auditors

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2009

	U.S. Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 2,248,568	\$ 155,584	\$ -	\$ 2,404,152
Investments	5,566,610	4,871,527	-	10,438,137
Accounts receivable	237,512	9,327	-	246,839
Inventories	73,876	-	-	73,876
Prepaid expenses and other assets	772,156	1,333	-	773,489
Amount due from National Gymnastics Foundation	145,432	-	(145,432)	-
Furnishings and equipment, net	<u>557,283</u>	<u>-</u>	<u>-</u>	<u>557,283</u>
Total assets	<u>\$ 9,601,437</u>	<u>\$ 5,037,771</u>	<u>\$ (145,432)</u>	<u>\$ 14,493,776</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 642,414	12,070	-	\$ 654,484
Amounts due to US Gymnastics Federation	-	145,432	(145,432)	-
Deferred revenue	<u>3,870,849</u>	<u>-</u>	<u>-</u>	<u>3,870,849</u>
Total liabilities	4,513,263	157,502	(145,432)	4,525,333
Net assets:				
Unrestricted	5,087,574	4,125,457	-	9,213,031
Temporarily restricted	<u>600</u>	<u>754,812</u>	<u>-</u>	<u>755,412</u>
Total net assets	<u>5,088,174</u>	<u>4,880,269</u>	<u>-</u>	<u>9,968,443</u>
Total liabilities and net assets	<u>\$ 9,601,437</u>	<u>\$ 5,037,771</u>	<u>\$ (145,432)</u>	<u>\$ 14,493,776</u>

See accompanying report of independent auditors

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2010

	----- U.S. Gymnastics Federation -----			----- National Gymnastics Foundation -----			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 154,972	\$ 154,972	\$ -	\$ 154,972
Marketing and events	4,364,971	-	4,364,971	-	-	-	-	4,364,971
Communications and publications	429,342	-	429,342	-	-	-	-	429,342
Program:								
Women's gymnastics	823,760	-	823,760	-	-	-	-	823,760
Men's gymnastics	111,092	-	111,092	-	-	-	-	111,092
Trampoline and tumbling	630,085	-	630,085	-	-	-	-	630,085
Sports acrobatics	416,089	-	416,089	-	-	-	-	406,089
Rhythmic gymnastics	162,088	-	162,088	-	-	-	-	162,088
General gymnastics	23,556	-	23,556	-	-	-	-	23,556
Total program	2,166,670	-	2,166,670	-	-	-	-	2,166,670
Member services	7,918,539	-	7,918,539	-	-	-	-	7,918,539
Administrative:								
United States Olympic Committee	2,163,204	-	2,163,204	-	-	-	-	2,163,204
Foundation/ Federation grants	209,000	-	209,000	-	-	-	(209,000)	-
Other	158,192	-	158,192	65	-	65	-	158,257
Releases from restriction	600	(600)	-	49,948	(49,948)	-	-	-
Total administrative	2,530,996	(600)	2,530,396	50,013	(49,948)	65	(209,000)	2,321,461
Total revenue	17,410,518	(600)	17,409,918	50,013	105,024	155,037	(209,000)	17,355,955
Expenses:								
Program services:								
Marketing and events	3,499,026	-	3,499,026	-	-	-	-	3,499,026
Member services	2,956,575	-	2,956,575	-	-	-	-	2,956,575
Communications	1,513,254	-	1,513,254	-	-	-	-	1,513,254
Women's gymnastics	2,930,371	-	2,930,371	-	-	-	-	2,930,371
Men's gymnastics	1,519,266	-	1,519,266	-	-	-	-	1,519,266
Trampoline and tumbling	928,577	-	928,577	-	-	-	-	928,577
Sports acrobatics	556,253	-	556,253	-	-	-	-	556,253
Rhythmic gymnastics	768,677	-	768,677	-	-	-	-	768,677
General gymnastics	59,837	-	59,837	-	-	-	-	59,837
International relations	136,429	-	136,429	-	-	-	-	136,429
Total program services expense	14,868,265	-	14,868,265	-	-	-	-	14,868,265
Supporting services:								
Administrative	2,251,758	-	2,251,758	118,539	-	118,539	-	2,370,297
Foundation/ Federation grants	-	-	-	209,000	-	209,000	(209,000)	-
Governance	45,707	-	45,707	5,941	-	5,941	-	51,648
Total supporting services expense	2,297,465	-	2,297,465	333,480	-	333,480	(209,000)	2,421,945
Total expenses	17,165,730	-	17,165,730	333,480	-	333,480	(209,000)	17,290,210
Change in net assets, before investment returns	244,788	(600)	244,188	(283,467)	105,024	(178,443)	-	65,745
Investment returns	141,294	-	141,294	632,515	-	632,515	-	773,809
Change in net assets	386,082	(600)	385,482	349,048	105,024	454,072	-	839,554
Net assets, beginning of year	5,087,574	600	5,088,174	4,125,457	754,812	4,880,269	-	9,968,443
Net assets, end of year	\$ 5,473,656	\$ -	\$ 5,473,656	\$ 4,474,505	\$ 859,836	\$ 5,334,341	\$ -	\$ 10,807,997

See accompanying report of independent auditors

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2009

	----- U.S. Gymnastics Federation -----			----- National Gymnastics Foundation -----			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue:								
Contributions	\$ -	\$ 1,400	\$ 1,400	\$ -	\$ 124,213	\$ 124,213	\$ -	\$ 125,613
Marketing and events	3,728,563	-	3,728,563	-	-	-	-	3,728,563
Communications and publications	499,064	-	499,064	-	-	-	-	499,064
Program:								
Women's gymnastics	1,030,577	-	1,030,577	-	-	-	-	1,030,577
Men's gymnastics	154,071	-	154,071	-	-	-	-	154,071
Trampoline and tumbling	576,025	-	576,025	-	-	-	-	576,025
Sports acrobatics	499,520	-	499,520	-	-	-	-	499,520
Rhythmic gymnastics	159,162	-	159,162	-	-	-	-	159,162
General gymnastics	<u>80,735</u>	<u>-</u>	<u>80,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,735</u>
Total program	2,500,090	-	2,500,090	-	-	-	-	2,500,090
Member services	7,694,978	-	7,694,978	-	-	-	-	7,694,978
Administrative:								
United States Olympic Committee	1,899,067	-	1,899,067	-	-	-	-	1,899,067
Foundation/ Federation grants	184,000	-	184,000	-	-	-	(184,000)	-
Other	227,567	-	227,567	1,396	-	1,396	-	228,963
Releases from restriction	<u>2,481</u>	<u>(2,481)</u>	<u>-</u>	<u>9,342</u>	<u>(9,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	2,313,115	(2,481)	2,310,634	10,738	(9,342)	1,396	(184,000)	2,128,030
Total revenue	16,735,810	(1,081)	16,734,729	10,738	114,871	125,609	(184,000)	16,676,338
Expenses:								
Program services:								
Marketing and events	2,601,170	-	2,601,170	-	-	-	-	2,601,170
Member services	3,069,101	-	3,069,101	-	-	-	-	3,069,101
Communications	1,443,190	-	1,443,190	-	-	-	-	1,433,190
Women's gymnastics	2,785,750	-	2,785,750	-	-	-	-	2,785,750
Men's gymnastics	1,323,597	-	1,323,597	-	-	-	-	1,323,597
Trampoline and tumbling	930,748	-	930,748	-	-	-	-	930,748
Sports acrobatics	606,821	-	606,821	-	-	-	-	606,821
Rhythmic gymnastics	740,724	-	740,724	-	-	-	-	740,724
General gymnastics	169,164	-	169,164	-	-	-	-	169,164
International relations	<u>133,107</u>	<u>-</u>	<u>133,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,107</u>
Total program services expense	13,803,372	-	13,803,372	-	-	-	-	13,803,372
Supporting services:								
Administrative	2,058,671	-	2,058,671	68,552	-	68,552	-	2,127,223
Foundation/ Federation grants	-	-	-	184,000	-	184,000	(184,000)	-
Governance	<u>47,525</u>	<u>-</u>	<u>47,525</u>	<u>2,117</u>	<u>-</u>	<u>2,117</u>	<u>-</u>	<u>49,642</u>
Total supporting services expense	2,106,196	-	2,106,196	254,669	-	254,669	(184,000)	2,176,865
Total expenses	<u>15,909,568</u>	<u>-</u>	<u>15,909,568</u>	<u>254,669</u>	<u>-</u>	<u>254,669</u>	<u>(184,000)</u>	<u>15,980,237</u>
Change in net assets, before investment returns	826,242	(1,081)	825,161	(243,931)	114,871	(129,060)	-	696,101
Investment returns	<u>91,895</u>	<u>-</u>	<u>91,895</u>	<u>1,109,611</u>	<u>-</u>	<u>1,109,611</u>	<u>-</u>	<u>1,201,506</u>
Change in net assets	918,137	(1,081)	917,056	865,680	114,871	980,551	-	1,897,607
Net assets, beginning of year	<u>4,169,437</u>	<u>1,681</u>	<u>4,171,118</u>	<u>3,259,777</u>	<u>639,941</u>	<u>3,899,718</u>	<u>-</u>	<u>8,070,836</u>
Net assets, end of year	<u>\$ 5,087,574</u>	<u>\$ 600</u>	<u>\$ 5,088,174</u>	<u>\$ 4,125,457</u>	<u>\$ 754,812</u>	<u>\$ 4,880,269</u>	<u>\$ -</u>	<u>\$ 9,968,443</u>

See accompanying report of independent auditors

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF CASH FLOWS
Year ended December 31, 2010

	U.S. Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
Cash flows from operating activities				
Increase in net assets	\$ 385,482	454,072	\$ -	839,554
Adjustments to reconcile increase in net cash provided by operating activities:				
Realized gain on sale of investments	-	(353,198)	-	(353,198)
Unrealized (gain) loss on investments	5,629	(131,718)	-	(126,089)
Depreciation expense	176,091	-	-	176,091
Changes in operating assets and liabilities:				
Accounts receivable	(190,081)	6,863	-	(183,218)
Amount due from National Gymnastics Foundation, Inc.	(181,746)	-	181,746	-
Inventories	1,060	-	-	1,060
Prepaid expenses and other assets	(58,723)	(765)	-	(59,488)
Accounts payable and accrued expenses	143,447	2,091	-	145,538
Funds held for others	1,273,721	-	-	1,273,721
Due to US Gymnastics Federation	-	181,746	(181,746)	-
Deferred revenue	<u>133,662</u>	<u>-</u>	<u>-</u>	<u>133,662</u>
Net cash provided by operating activities	<u>1,688,542</u>	<u>159,091</u>	<u>-</u>	<u>1,847,633</u>
Cash flows from investing activities				
Purchase of investments	(2,082,857)	(2,457,510)	-	(4,540,367)
Proceeds on sale or maturity of investments	1,353,546	2,646,369	-	3,999,915
Purchases of furnishings and equipment	<u>(111,931)</u>	<u>-</u>	<u>-</u>	<u>(111,931)</u>
Net cash provided by (used in) investing activities	(841,242)	188,859	-	(652,383)
Increase in cash and cash equivalents	847,301	347,950	-	1,195,250
Cash and cash equivalents, beginning of year	<u>2,248,568</u>	<u>155,584</u>	<u>-</u>	<u>2,404,152</u>
Cash and cash equivalents, end of year	<u>\$ 3,095,868</u>	<u>\$ 503,534</u>	<u>\$ -</u>	<u>\$ 3,599,402</u>

See accompanying report of independent auditors

UNITED STATES GYMNASTICS FEDERATION
CONSOLIDATING SCHEDULE OF CASH FLOWS
Year ended December 31, 2009

	U.S. Gymnastics Federation	National Gymnastics Foundation	Eliminations	Consolidated
Cash flows from operating activities				
Increase in net assets	\$ 917,056	\$ 980,551	\$ -	\$ 1,897,607
Adjustments to reconcile increase in net cash provided by operating activities:				
Realized loss on sale of investments	-	7,838	-	7,838
Unrealized gain on investments	(23,920)	(970,831)	-	(994,751)
Depreciation expense	160,254	-	-	160,254
Changes in operating assets and liabilities:				
Accounts receivable	532,678	702	-	533,380
Amount due from National Gymnastics Foundation, Inc.	261,912	-	(261,912)	-
Inventories	(1,454)	-	-	(1,454)
Prepaid expenses and other assets	31,116	(147)	-	30,969
Accounts payable and accrued Expenses	(101,368)	3,034	-	(98,334)
Funds held for others	-	-	-	-
Due to US Gymnastics Federation	-	(261,912)	261,912	-
Deferred revenue	(41,110)	-	-	(41,110)
Net cash provided by (used in) operating activities	1,735,164	(240,765)	-	1,494,399
Cash flows from investing activities				
Purchase of investments	(5,542,688)	(2,302,913)	-	(7,845,601)
Proceeds on sale or maturity of investments	-	2,000,014	-	2,000,014
Purchases of furnishings and equipment	(233,044)	-	-	(233,044)
Net cash used in investing activities	(5,775,732)	(302,899)	-	(6,078,631)
Decrease in cash and cash equivalents	(4,040,568)	(543,664)	-	(4,584,232)
Cash and cash equivalents, beginning of year	<u>6,289,136</u>	<u>699,248</u>	<u>-</u>	<u>6,988,384</u>
Cash and cash equivalents, end of year	<u>\$ 2,248,568</u>	<u>\$ 155,584</u>	<u>\$ -</u>	<u>\$ 2,404,152</u>

See accompanying report of independent auditors