

USA GYMNASTICS
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

USA GYMNASTICS

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	2
CONSOLIDATED STATEMENTS OF ACTIVITIES	3
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - 2011.....	14
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION – 2010.....	15
CONSOLIDATING SCHEDULE OF ACTIVITIES - 2011	16
CONSOLIDATING SCHEDULE OF ACTIVITIES – 2010	17

REPORT OF INDEPENDENT AUDITORS

Board of Directors
USA Gymnastics
Indianapolis, Indiana

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 and change in net assets of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
August 16, 2012

USA GYMNASTICS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 3,805,866	\$ 3,599,402
Investments (Note 5)	12,270,589	11,457,875
Accounts receivable	525,274	430,057
Inventories	72,817	72,817
Prepaid expenses and other assets	1,176,203	832,977
Furnishings and equipment (net of accumulated depreciation of \$661,348 and \$478,462 for 2011 and 2010)	<u>423,726</u>	<u>493,124</u>
Total assets	<u>\$ 18,274,475</u>	<u>\$ 16,886,252</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 990,979	\$ 800,023
Funds held for others (Note 11)	1,906,210	1,273,721
Deferred revenue (Note 4)	<u>4,589,809</u>	<u>4,004,511</u>
Total liabilities	7,486,998	6,078,255
Net assets:		
Unrestricted	9,944,858	9,948,161
Temporarily restricted (Note 7)	<u>842,619</u>	<u>859,836</u>
Total net assets	<u>10,787,477</u>	<u>10,807,997</u>
Total liabilities and net assets	<u>\$ 18,274,475</u>	<u>\$ 16,886,252</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2011 with summary totals for the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>2010</u>
Revenue:				
Contributions	\$ -	\$ 195,546	\$ 195,546	\$ 154,972
Marketing and events	4,353,248	-	4,353,248	4,364,971
Communications and publications	359,369	-	359,369	429,342
Program:				
Women's gymnastics	1,014,904	-	1,014,904	823,760
Men's gymnastics	144,753	-	144,753	111,092
Trampoline and tumbling	746,963	-	746,963	630,085
Sports acrobatics	378,666	-	378,666	416,089
Rhythmic gymnastics	262,899	-	262,899	162,088
General gymnastics	10,500	-	10,500	23,556
International relations	<u>16,951</u>	<u>-</u>	<u>16,951</u>	<u>-</u>
Total program	2,575,636	-	2,575,636	2,166,670
Member services	8,074,066	-	8,074,066	7,918,539
Administrative:				
United States Olympic Committee (Note 3)	2,227,908	-	2,227,908	2,163,204
Other	200,788	-	200,788	158,257
Releases from restriction	<u>212,763</u>	<u>(212,763)</u>	<u>-</u>	<u>-</u>
Total administrative	<u>2,641,469</u>	<u>(212,763)</u>	<u>2,428,696</u>	<u>2,321,461</u>
Total revenue	18,003,778	(17,217)	17,986,561	17,355,955
Expenses:				
Program services:				
Marketing and events	3,262,555	-	3,262,555	3,499,026
Member services	3,074,775	-	3,074,775	2,956,575
Communications	1,522,909	-	1,522,909	1,513,254
Women's gymnastics	3,295,578	-	3,295,578	2,930,371
Men's gymnastics	1,845,031	-	1,845,031	1,519,266
Trampoline and tumbling	1,085,254	-	1,085,254	928,577
Sports acrobatics	486,299	-	486,299	556,253
Rhythmic gymnastics	902,585	-	902,585	768,677
General gymnastics	43,299	-	43,299	59,837
International relations	<u>222,551</u>	<u>-</u>	<u>222,551</u>	<u>136,429</u>
Total program services expense	15,740,836	-	15,740,836	14,868,265
Supporting services:				
Administrative	2,417,234	-	2,417,234	2,370,297
Governance	<u>57,693</u>	<u>-</u>	<u>57,693</u>	<u>51,648</u>
Total supporting services expense	<u>2,474,927</u>	<u>-</u>	<u>2,474,927</u>	<u>2,421,945</u>
Total expenses	<u>18,215,763</u>	<u>-</u>	<u>18,215,763</u>	<u>17,290,210</u>
Change in net assets, before investment returns	(211,985)	(17,217)	(229,202)	65,745
Investment returns (Note 5)	<u>208,682</u>	<u>-</u>	<u>208,682</u>	<u>773,809</u>
Change in net assets	(3,303)	(17,217)	(20,520)	839,554
Net assets, beginning of year	<u>9,948,161</u>	<u>859,836</u>	<u>10,807,997</u>	<u>9,968,443</u>
Net assets, end of year	<u>\$ 9,944,858</u>	<u>\$ 842,619</u>	<u>\$ 10,787,477</u>	<u>\$ 10,807,997</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>
Revenue:			
Contributions	\$ -	\$ 154,972	\$ 154,972
Marketing and events	4,364,971	-	4,364,971
Communications and publications	429,342	-	429,342
Program:			
Women's gymnastics	823,760	-	823,760
Men's gymnastics	111,092	-	111,092
Trampoline and tumbling	630,085	-	630,085
Sports acrobatics	416,089	-	416,089
Rhythmic gymnastics	162,088	-	162,088
General gymnastics	23,556	-	23,556
Total program	<u>2,166,670</u>	<u>-</u>	<u>2,166,670</u>
Member services	7,918,539	-	7,918,539
Administrative:			
United States Olympic Committee (Note 3)	2,163,204	-	2,163,204
Other	158,257	-	158,257
Releases from restriction	50,548	(50,548)	-
Total administrative	<u>2,372,009</u>	<u>(50,548)</u>	<u>2,321,461</u>
Total revenue	17,251,531	104,424	17,355,955
Expenses:			
Program services:			
Marketing and events	3,499,026	-	3,499,026
Member services	2,956,575	-	2,956,575
Communications	1,513,254	-	1,513,254
Women's gymnastics	2,930,371	-	2,930,371
Men's gymnastics	1,519,266	-	1,519,266
Trampoline and tumbling	928,577	-	928,577
Sports acrobatics	556,253	-	556,253
Rhythmic gymnastics	768,677	-	768,677
General gymnastics	59,837	-	59,837
International relations	136,429	-	136,429
Total program services expense	<u>14,868,265</u>	<u>-</u>	<u>14,868,265</u>
Supporting services:			
Administrative	2,370,297	-	2,370,297
Governance	51,648	-	51,648
Total supporting services expense	<u>2,421,945</u>	<u>-</u>	<u>2,421,945</u>
Total expenses	<u>17,290,210</u>	<u>-</u>	<u>17,290,210</u>
Change in net assets, before investment returns	(38,679)	104,424	65,745
Investment returns (Note 5)	<u>773,809</u>	<u>-</u>	<u>773,809</u>
Change in net assets	735,130	104,424	839,554
Net assets, beginning of year	<u>9,213,031</u>	<u>755,412</u>	<u>9,968,443</u>
Net assets, end of year	<u>\$ 9,948,161</u>	<u>\$ 859,836</u>	<u>\$ 10,807,997</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (20,520)	\$ 839,554
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on sale of investments	(360,423)	(353,198)
Unrealized (gain) loss on investments	492,190	(126,089)
Depreciation expense	182,887	176,091
Changes in assets and liabilities		
Accounts receivable	(95,217)	(183,218)
Inventories	-	1,060
Prepaid expenses and other assets	(343,226)	(59,488)
Accounts payable and accrued expenses	190,956	145,538
Funds held for others	632,489	1,273,721
Deferred revenue	<u>585,298</u>	<u>133,662</u>
Net cash from operating activities	1,264,434	1,847,633
Cash flows from investing activities		
Purchases of investments	(5,993,121)	(4,540,367)
Proceeds of sale or maturity of investments	5,048,642	3,999,915
Purchases of furnishing and equipment	<u>(113,491)</u>	<u>(111,931)</u>
Net cash from investing activities	<u>1,057,970</u>	<u>(652,383)</u>
Increase in cash and cash equivalents	206,464	1,195,250
Cash and cash equivalents, beginning of year	<u>3,599,402</u>	<u>2,404,152</u>
Cash and cash equivalents, end of year	<u>\$ 3,805,866</u>	<u>\$ 3,599,402</u>
Supplemental cash flows information		
Non-cash transactions:		
In-kind contributions and expense	\$ 346,675	\$ 407,308

See accompanying notes to consolidated financial statements

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - ORGANIZATION

The USA Gymnastics (Organization) is the designated National Governing Body of the Olympic sport of gymnastics. The Organization was so designated by the United States Olympic Committee (the USOC) and is a Group A member of the USOC. The Organization 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. The Organization promotes and develops the sport of gymnastics in its multiple disciplines; women's and men's artistic, trampoline and tumbling, rhythmic, sports acrobatics, and general gymnastics. In addition to identifying and developing the National and Olympic teams and coaches, activities include hosting and sanctioning national and international events, safety education, continuing education for professional members (coaches and judges), development of age group athletes, and overall promotion of the sport.

As a National Governing Body, the Organization 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 Organization 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 Organization 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 Organization 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 Organization's control. In-kind sponsorships, which are recognized at the fair value of the non-cash consideration received, totaled \$346,675 and \$407,308 for 2011 and 2010. 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.

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 Organization 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 Organization 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, 2011 and 2010, 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 Organization reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Organization 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 Organization personnel.

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 Organization. The unrestricted net assets may be used to support the Organization'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 Organization 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 Organization's temporarily restricted net assets is disclosed in Note 7.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets of the Organization 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 Organization did not have any permanently restricted net assets at December 31, 2011 and 2010.

Income Tax Status: The Internal Revenue Service has ruled that both the Organization 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 Organization 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 Organization and Foundation are generally no longer subject to examination by taxing authorities for years before 2008, and do not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Organization and Foundation recognize interest and/or penalties related to income tax matters in income tax expense, and did not have any amounts accrued for interest and penalties at December 31, 2011 or 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 audited financial statements for the year ended December 31, 2011. Management has performed their analysis through August 16, 2012, the date the financial statements were available to be issued.

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 Organization’s athlete support program that in previous years had been paid to the Organization 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>2011</u>	<u>2010</u>
Performance Pool Grants	\$ 1,652,308	\$ 1,668,876
Athlete Funding	525,600	484,328
International Relations Grant	<u>50,000</u>	<u>10,000</u>
	<u>\$ 2,227,908</u>	<u>\$ 2,163,204</u>

NOTE 4 – DEFERRED REVENUE

Deferred revenue consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Memberships	\$ 3,864,575	\$ 3,739,940
Sponsorships and advertising	25,119	125,796
Event revenue	531,342	78,263
Other	<u>168,773</u>	<u>60,512</u>
	<u>\$ 4,589,809</u>	<u>\$ 4,004,511</u>

NOTE 5 – INVESTMENTS

Investments at December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Common stock	3,689,723	3,566,357
Equity pooled funds	180,005	122,940
Call options	(31,092)	(44,796)
United States government agency notes	4,005,549	4,196,767
Corporate obligations	<u>4,426,404</u>	<u>3,616,607</u>
	<u>\$ 12,270,589</u>	<u>\$ 11,457,875</u>

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 – INVESTMENTS (Continued)

The following schedule summarizes the components of investment return:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 340,449	\$ 294,522
Net realized gains	360,423	353,198
Net unrealized gains (losses)	<u>(492,190)</u>	<u>126,089</u>
	<u>\$ 208,682</u>	<u>\$ 773,809</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.

NOTE 6 – RETIREMENT PLAN

The Organization has established two deferred compensation retirement plans; a 401k plan for all eligible employees who elect participation, and a 457b plan for the President. The Organization's contribution to the 401k plan was equal to 6% of each participant's eligible salary totaling \$148,665 and \$151,272 in 2011 and 2010. Elective deferred contributions into the 457b plan equaled \$16,500 in 2011 and 2010.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

The Board of Directors of the 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>2011</u>	<u>2010</u>
Zimpfer Fund	\$ 202,888	\$ 188,315
Men's Scholarship Fund	572,302	685,391
T&T Scholarship Fund	89,959	74,815
Women's Collegiate Fund	131,680	126,086
Liukin Fund	<u>100,449</u>	<u>34,659</u>
	1,097,278	1,109,266
Cumulative designation of unrestricted investment returns	<u>(254,659)</u>	<u>(249,430)</u>
Temporarily restricted net assets	<u>\$ 842,619</u>	<u>\$ 859,836</u>

Temporarily restricted net assets released from restriction during the years ended December 31, 2011 and 2010 totaled \$212,763 and \$50,548.

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 – OPERATING LEASES

The Organization 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.

In early 2011, the Organization entered in an operating lease for training facilities expiring on January 2, 2021. Monthly rental payments are based on the actual usage of the facilities and subject to annual adjustments.

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

2012	\$ 571,502
2013	568,162
2014	542,809
2015	550,698
2016	553,093
Thereafter	<u>2,287,987</u>
	<u>\$ 5,074,251</u>

Rent expense was \$885,005 and \$245,739 for 2011 and 2010, 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 Organization'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.

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

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

<u>Fair Value Measurements at Reporting Date Using</u>				
	<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:	<u>Total</u>			
Common stock:				
Consumer	\$ 1,224,279	\$ 1,224,279	\$ -	\$ -
Technology	670,241	670,241	-	-
Industrial	612,449	612,449	-	-
Energy	525,456	525,456	-	-
Basic materials	319,127	319,127	-	-
Financial services	209,533	209,533	-	-
Utilities	128,638	128,638	-	-
Equity pooled funds	180,005	180,005	-	-
Call options	(31,092)	-	(31,092)	-
United States government agency notes	4,005,549	-	4,005,549	-
Corporate obligations	<u>4,426,404</u>	<u> </u>	<u>4,426,404</u>	<u> </u>
	<u>\$ 12,270,589</u>	<u>3,869,728</u>	<u>8,400,861</u>	<u> </u>

<u>Fair Value Measurements at Reporting Date Using</u>				
	<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:	<u>Total</u>			
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>

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 – RELATED PARTY TRANSACTION

The Organization 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 Organization's tax identification number. All funds are maintained for the benefit of the States and Regions. Prior to May 2010, these funds were not under the financial control of the Organization and were not included in the consolidated financial statements. In May 2010, the Organization began executing financial control of these funds as fiscal agent for a portion of the States and Regions, and a liability of \$1,906,210 and \$1,273,721 has been recorded on the Statement of Financial Position as of December 31, 2011 and 2010.

SUPPLEMENTARY INFORMATION

USA GYMNASTICS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2011

	USA Gymnastics	National Gymnastics Foundation	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 3,470,819	\$ 335,047	\$ -	\$ 3,805,866
Investments	6,891,631	5,378,958	-	12,270,589
Accounts receivable	513,925	11,349	-	525,274
Inventories	72,817	-	-	72,817
Prepaid expenses and other assets	1,175,023	1,180	-	1,176,203
Amount due from National Gymnastics Foundation	440,807	-	(440,807)	-
Furnishings and equipment, net	<u>423,726</u>	<u>-</u>	<u>-</u>	<u>423,726</u>
Total assets	<u>\$ 12,988,748</u>	<u>\$ 5,726,534</u>	<u>\$ (440,807)</u>	<u>\$ 18,274,475</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 814,475	\$ 176,504	\$ -	\$ 990,979
Funds held for others	1,906,210	-	-	1,906,210
Amounts due to USA Gymnastics	-	440,807	(440,807)	-
Deferred revenue	<u>4,589,809</u>	<u>-</u>	<u>-</u>	<u>4,589,809</u>
Total liabilities	7,310,494	617,311	(440,807)	7,486,998
Net assets:				
Unrestricted	5,678,254	4,266,604	-	9,944,858
Temporarily restricted	<u>-</u>	<u>842,619</u>	<u>-</u>	<u>842,619</u>
Total net assets	<u>5,678,254</u>	<u>5,109,223</u>	<u>-</u>	<u>10,787,477</u>
Total liabilities and net assets	<u>\$ 12,988,748</u>	<u>\$ 5,726,534</u>	<u>\$ (440,807)</u>	<u>\$ 18,274,475</u>

See accompanying report of independent auditors

USA GYMNASTICS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2010

	USA Gymnastics	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 USA Gymnastics	-	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

USA GYMNASTICS
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2011

	-----USA Gymnastics-----			-----National Gymnastics Foundation-----			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 195,546	\$ 195,546	\$ -	\$ 195,546
Marketing and events	4,353,248	-	4,353,248	-	-	-	-	4,353,248
Communications and publications	359,369	-	359,369	-	-	-	-	359,369
Program:								
Women's gymnastics	1,014,904	-	1,014,904	-	-	-	-	1,014,904
Men's gymnastics	144,753	-	144,753	-	-	-	-	144,753
Trampoline and tumbling	746,963	-	746,963	-	-	-	-	746,963
Sports acrobatics	378,666	-	378,666	-	-	-	-	378,666
Rhythmic gymnastics	262,899	-	262,899	-	-	-	-	262,899
General gymnastics	10,500	-	10,500	-	-	-	-	10,500
International relations	16,951	-	16,951	-	-	-	-	16,951
Total program	<u>2,575,636</u>	<u>-</u>	<u>2,575,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,575,636</u>
Member services	8,074,066	-	8,074,066	-	-	-	-	8,074,066
Administrative:								
United States Olympic Committee	2,227,908	-	2,227,908	-	-	-	-	2,227,908
Foundation/ Organization grants	225,000	-	225,000	-	-	-	(225,000)	-
Other	199,288	-	199,288	1,500	-	1,500	-	200,788
Releases from restriction	-	-	-	212,763	(212,763)	-	-	-
Total administrative	<u>2,652,196</u>	<u>-</u>	<u>2,652,196</u>	<u>214,263</u>	<u>(212,763)</u>	<u>1,500</u>	<u>(225,000)</u>	<u>2,428,696</u>
Total revenue	18,014,515	-	18,014,515	214,263	(17,217)	197,046	(225,000)	17,986,561
Expenses:								
Program services:								
Marketing and events	3,262,555	-	3,262,555	-	-	-	-	3,262,555
Member services	3,074,755	-	3,074,755	-	-	-	-	3,074,755
Communications	1,522,909	-	1,522,909	-	-	-	-	1,522,909
Women's gymnastics	3,295,578	-	3,295,578	-	-	-	-	3,295,578
Men's gymnastics	1,662,802	-	1,662,802	182,229	-	182,229	-	1,845,031
Trampoline and tumbling	1,054,720	-	1,054,720	30,534	-	30,534	-	1,085,254
Sports acrobatics	486,299	-	486,299	-	-	-	-	486,299
Rhythmic gymnastics	902,585	-	902,585	-	-	-	-	902,585
General gymnastics	43,299	-	43,299	-	-	-	-	43,299
International relations	222,551	-	222,551	-	-	-	-	222,551
Total program services expense	<u>15,528,073</u>	<u>-</u>	<u>15,528,073</u>	<u>212,763</u>	<u>-</u>	<u>212,763</u>	<u>-</u>	<u>15,740,836</u>
Supporting services:								
Administrative	2,341,868	-	2,341,868	75,365	-	75,366	-	2,417,234
Foundation/ Organization grants	-	-	-	225,000	-	225,000	(225,000)	-
Governance	54,793	-	54,793	2,900	-	2,900	-	57,693
Total supporting services expense	<u>2,396,661</u>	<u>-</u>	<u>2,396,661</u>	<u>303,266</u>	<u>-</u>	<u>303,266</u>	<u>(225,000)</u>	<u>2,474,927</u>
Total expenses	<u>17,924,534</u>	<u>-</u>	<u>17,924,534</u>	<u>516,029</u>	<u>-</u>	<u>516,029</u>	<u>(225,000)</u>	<u>18,215,763</u>
Change in net assets, before investment returns	89,781	-	89,781	(301,766)	(17,217)	(318,983)	-	(229,202)
Investment returns	114,817	-	114,817	93,865	-	93,865	-	208,682
Change in net assets	204,598	-	204,598	(207,901)	(17,217)	(225,118)	-	(20,520)
Net assets, beginning of year	<u>5,473,656</u>	<u>-</u>	<u>5,473,656</u>	<u>4,474,505</u>	<u>859,836</u>	<u>5,334,341</u>	<u>-</u>	<u>10,807,997</u>
Net assets, end of year	<u>\$ 5,678,254</u>	<u>\$ -</u>	<u>\$ 5,678,254</u>	<u>\$ 4,266,604</u>	<u>\$ 842,619</u>	<u>\$ 5,109,223</u>	<u>\$ -</u>	<u>\$ 10,787,477</u>

See accompanying report of independent auditors

USA GYMNASTICS
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2010

	-----USA Gymnastics-----			-----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	-	-	-	-	416,089
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/ Organization 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/ Organization 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