

USA GYMNASTICS
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
USA Gymnastics
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the USA Gymnastics (the Organization), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated 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 results of operations of the individual entities, and is not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
July 26, 2013

USA GYMNASTICS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 5,694,457	\$ 3,805,866
Investments (Note 5)	12,279,587	12,270,589
Accounts receivable	1,765,339	525,274
Inventories	72,817	72,817
Prepaid expenses and other assets	668,655	1,176,203
Furnishings and equipment (net of accumulated depreciation of \$844,147 and \$661,348 for 2012 and 2011)	<u>377,193</u>	<u>423,726</u>
Total assets	<u>\$ 20,858,048</u>	<u>\$ 18,274,475</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,511,351	\$ 990,979
Funds held for others (Note 11)	2,422,544	1,906,210
Deferred revenue (Note 4)	<u>4,476,891</u>	<u>4,589,809</u>
Total liabilities	8,410,786	7,486,998
Net assets:		
Unrestricted	11,501,128	9,944,858
Temporarily restricted (Note 7)	<u>946,134</u>	<u>842,619</u>
Total net assets	<u>12,447,262</u>	<u>10,787,477</u>
Total liabilities and net assets	<u>\$ 20,858,048</u>	<u>\$ 18,274,475</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2012 with summary totals for the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>2011</u>
Revenue:				
Contributions	\$ -	\$ 156,647	\$ 156,647	\$ 195,546
Marketing and events	9,437,259	-	9,437,259	4,353,248
Communications and publications	391,251	-	391,251	359,369
Post-Olympic Tour, net of direct expense of \$7,205,468 for 2012	1,667,480	-	1,667,480	-
Program:				
Women's gymnastics	903,514	-	903,514	1,014,904
Men's gymnastics	170,469	-	170,469	144,753
Trampoline and tumbling	927,270	-	927,270	746,963
Acrobatic gymnastics	354,559	-	354,559	378,666
Rhythmic gymnastics	245,894	-	245,894	262,899
Gymnastics for All	-	-	-	10,500
International relations	-	-	-	16,951
Total program	<u>2,601,706</u>	<u>-</u>	<u>2,601,706</u>	<u>2,575,636</u>
Member services	8,854,642	-	8,854,642	8,074,066
Administrative:				
United States Olympic Committee (Note 3)	3,295,583	-	3,295,583	2,227,908
Other	445,653	-	445,653	200,788
Releases from restriction	<u>53,132</u>	<u>(53,132)</u>	<u>-</u>	<u>-</u>
Total administrative	<u>3,794,368</u>	<u>(53,132)</u>	<u>3,741,236</u>	<u>2,428,696</u>
Total revenue	26,746,706	103,515	26,850,221	17,986,561
Expenses:				
Program services:				
Marketing and events	9,444,469	-	9,444,469	3,262,555
Member services	3,260,661	-	3,260,661	3,074,775
Communications	1,727,677	-	1,727,677	1,522,909
Women's gymnastics	3,785,895	-	3,785,895	3,295,578
Men's gymnastics	1,794,771	-	1,794,771	1,845,031
Trampoline and tumbling	1,250,377	-	1,250,377	1,085,254
Acrobatic gymnastics	480,992	-	480,992	486,299
Rhythmic gymnastics	715,988	-	715,988	902,585
Gymnastics for All	38,327	-	38,327	43,299
International relations	<u>196,211</u>	<u>-</u>	<u>196,211</u>	<u>222,551</u>
Total program services expense	22,695,368	-	22,695,368	15,740,836
Supporting services:				
Administrative	3,147,249	-	3,147,249	2,417,234
Governance	<u>43,030</u>	<u>-</u>	<u>43,030</u>	<u>57,693</u>
Total supporting services expense	<u>3,190,279</u>	<u>-</u>	<u>3,190,279</u>	<u>2,474,927</u>
Total expenses	<u>25,885,647</u>	<u>-</u>	<u>25,885,647</u>	<u>18,215,763</u>
Change in net assets, before investment returns	861,059	103,515	964,574	(229,202)
Investment returns (Note 5)	<u>695,211</u>	<u>-</u>	<u>695,211</u>	<u>208,682</u>
Change in net assets	1,556,270	103,515	1,659,785	(20,520)
Net assets, beginning of year	<u>9,944,858</u>	<u>842,619</u>	<u>10,787,477</u>	<u>10,807,997</u>
Net assets, end of year	<u>\$ 11,501,128</u>	<u>\$ 946,134</u>	<u>\$ 12,447,262</u>	<u>\$ 10,787,477</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>
Revenue:			
Contributions	\$ -	\$ 195,546	\$ 195,546
Marketing and events	4,353,248	-	4,353,248
Communications and publications	359,369	-	359,369
Program:			
Women's gymnastics	1,014,904	-	1,014,904
Men's gymnastics	144,753	-	144,753
Trampoline and tumbling	746,963	-	746,963
Acrobatic gymnastics	378,666	-	378,666
Rhythmic gymnastics	262,899	-	262,899
Gymnastics for All	10,500	-	10,500
International relations	16,951	-	16,951
Total program	<u>2,575,636</u>	<u>-</u>	<u>2,575,636</u>
Member services	8,074,066	-	8,074,066
Administrative:			
United States Olympic Committee (Note 3)	2,227,908	-	2,227,908
Other	200,788	-	200,788
Releases from restriction	212,763	(212,763)	-
Total administrative	<u>2,641,459</u>	<u>(212,763)</u>	<u>2,428,696</u>
Total revenue	18,003,778	(17,217)	17,986,561
Expenses:			
Program services:			
Marketing and events	3,262,555	-	3,262,555
Member services	3,074,775	-	3,074,775
Communications	1,522,909	-	1,522,909
Women's gymnastics	3,295,578	-	3,295,578
Men's gymnastics	1,845,031	-	1,845,031
Trampoline and tumbling	1,085,254	-	1,085,254
Acrobatic gymnastics	486,299	-	486,299
Rhythmic gymnastics	902,585	-	902,585
Gymnastics for All	43,299	-	43,299
International relations	222,551	-	222,551
Total program services expense	<u>15,740,836</u>	<u>-</u>	<u>15,740,836</u>
Supporting services:			
Administrative	2,417,234	-	2,417,234
Governance	57,693	-	57,693
Total supporting services expense	<u>2,474,927</u>	<u>-</u>	<u>2,474,927</u>
Total expenses	<u>18,215,763</u>	<u>-</u>	<u>18,215,763</u>
Change in net assets, before investment returns	(211,985)	(17,217)	(229,202)
Investment returns (Note 5)	<u>208,682</u>	<u>-</u>	<u>208,682</u>
Change in net assets	(3,303)	(17,217)	(20,520)
Net assets, beginning of year	<u>9,948,161</u>	<u>859,836</u>	<u>10,807,997</u>
Net assets, end of year	<u>\$ 9,944,858</u>	<u>\$ 842,619</u>	<u>\$ 10,787,477</u>

See accompanying notes to consolidated financial statements

USA GYMNASTICS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 1,659,785	\$ (20,520)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on sale of investments	(211,111)	(360,423)
Unrealized (gain) loss on investments	(116,227)	492,190
Depreciation expense	182,796	182,887
Changes in assets and liabilities		
Accounts receivable	(1,240,065)	(95,217)
Inventories	-	-
Prepaid expenses and other assets	507,548	(343,226)
Accounts payable and accrued expenses	520,372	190,956
Funds held for others	516,334	632,489
Deferred revenue	<u>(112,918)</u>	<u>585,298</u>
Net cash from operating activities	1,706,514	1,264,434
Cash flows from investing activities		
Purchases of investments	(7,837,141)	(5,993,121)
Proceeds of sale or maturity of investments	8,155,483	5,048,642
Purchases of furnishing and equipment	<u>(136,265)</u>	<u>(113,491)</u>
Net cash from investing activities	<u>182,077</u>	<u>(1,057,970)</u>
Increase in cash and cash equivalents	1,888,591	206,464
Cash and cash equivalents, beginning of year	<u>3,805,866</u>	<u>3,599,402</u>
Cash and cash equivalents, end of year	<u>\$ 5,694,457</u>	<u>\$ 3,805,866</u>
Supplemental cash flows information		
Non-cash transactions:		
In-kind contributions and expense	\$ 479,265	\$ 346,675

See accompanying notes to consolidated financial statements

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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, acrobatic gymnastics, and Gymnastics for All. 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. The consolidated financial statements include the results of the Foundation.

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 \$479,265 and \$346,675 for 2012 and 2011. 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)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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, 2012 and 2011, 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.

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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, 2012 and 2011.

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 2009, 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, 2012 or 2011.

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.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through July 26, 2013, the date the financial statements were available to be issued.

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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. The USOC makes payments directly to athletes receiving support through the Organization's athlete support program 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>2012</u>	<u>2011</u>
Performance Pool Grants	\$ 1,705,438	\$ 1,652,308
Event Support	875,000	-
Athlete Funding	525,600	525,600
International Relations Grant	16,000	50,000
Training Center Support	56,410	-
Grass Roots Grants	<u>117,135</u>	<u>-</u>
	<u>\$ 3,295,583</u>	<u>\$ 2,227,908</u>

NOTE 4 - DEFERRED REVENUE

Deferred revenue consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Memberships	\$ 4,138,326	\$ 3,864,575
Sponsorships and advertising	58,282	56,782
Event revenue	217,708	607,448
Other	<u>62,575</u>	<u>61,004</u>
	<u>\$ 4,476,891</u>	<u>\$ 4,589,809</u>

NOTE 5 - INVESTMENTS

Investments at December 31 consist of the following:

	<u>2012</u>	<u>2011</u>
Common and preferred stock	\$ 5,438,751	\$ 3,689,723
Equity pooled funds	276,160	180,005
Call options	(15,692)	(31,092)
United States government agency notes	2,824,950	4,005,549
Corporate obligations	<u>3,755,418</u>	<u>4,426,404</u>
	<u>\$ 12,279,587</u>	<u>\$ 12,270,589</u>

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - INVESTMENTS (Continued)

The following schedule summarizes the components of investment return:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 367,873	\$ 340,449
Net realized gains	211,111	360,423
Net unrealized gains (losses)	<u>116,227</u>	<u>(492,190)</u>
	<u>\$ 695,211</u>	<u>\$ 208,682</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 \$153,562 and \$148,665 in 2012 and 2011. Elective deferred contributions into the 457b plan equaled \$17,000 and \$16,500 in 2012 and 2011, respectively.

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>2012</u>	<u>2011</u>
Zimpfer Fund	\$ 226,959	\$ 202,888
Men's Scholarship Fund	665,353	572,302
T&T Scholarship Fund	122,351	89,959
Women's Collegiate Fund	156,389	131,680
Liukin Fund	<u>125,222</u>	<u>100,449</u>
	1,296,274	1,097,278
Cumulative designation of unrestricted investment returns	<u>(350,140)</u>	<u>(254,659)</u>
Temporarily restricted net assets	<u>\$ 946,134</u>	<u>\$ 842,619</u>

Temporarily restricted net assets released from restriction during the years ended December 31, 2012 and 2011 totaled \$53,132 and \$212,763.

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 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:

2013	\$ 574,171
2014	542,809
2015	550,698
2016	553,093
2017	562,062
Thereafter	<u>1,725,925</u>
	<u>\$ 4,508,758</u>

Rent expense was \$891,641 and \$885,005 for 2012 and 2011, 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.

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

The fair values of investments that are readily marketable, such as common stock and equity pooled funds, 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>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:	<u>Total</u>			
Common stock:				
Consumer	\$ 1,183,784	\$ 1,183,784	\$ -	\$ -
Technology	917,844	917,844	-	-
Industrial	741,399	741,399	-	-
Energy	868,483	868,483	-	-
Basic materials	413,777	413,777	-	-
Financial services	321,733	321,733	-	-
Healthcare	837,278	837,278	-	-
Utilities	48,433	48,433	-	-
Telecommunications	106,020	106,020	-	-
Equity pooled funds	276,160	276,160	-	-
Call options	(15,692)	-	(15,692)	-
United States government agency notes	2,824,950	-	2,824,950	-
Corporate obligations	<u>3,755,418</u>	<u>-</u>	<u>3,755,418</u>	<u>-</u>
	<u>\$ 12,279,587</u>	<u>5,714,911</u>	<u>6,564,676</u>	<u>-</u>

<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	\$ 871,108	\$ 871,108	\$ -	\$ -
Technology	490,606	490,606	-	-
Industrial	758,448	758,448	-	-
Energy	525,456	525,456	-	-
Basic materials	279,087	279,087	-	-
Financial services	209,533	209,533	-	-
Healthcare	393,211	393,211	-	-
Utilities	71,750	71,750	-	-
Telecommunications	90,524	90,524	-	-
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>

(Continued)

USA GYMNASTICS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 – FUNDS HELD FOR OTHERS

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 \$2,222,703 and \$1,906,210 has been recorded on the Statement of Financial Position as of December 31, 2012 and 2011.

In February 2012, USA Gymnastics assumed financial control of cash attributable to the Pan American Gymnastics Union (PAGU), and periodically makes deposits and disbursements at the direction of PAGU elected officers and the FIG. Balances held, along with a liability are recorded on the Statement of Financial position as of December 31, 2012 in the amount of \$199,841.

SUPPLEMENTARY INFORMATION

USA GYMNASTICS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2012

	USA Gymnastics	National Gymnastics Foundation	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 4,987,121	\$ 707,336	\$ -	\$ 5,694,457
Investments	4,128,396	8,151,191	-	12,279,587
Accounts receivable	1,755,323	10,016	-	1,765,339
Inventories	72,817	-	-	72,817
Prepaid expenses and other assets	667,394	1,261	-	668,655
Amount due from National Gymnastics Foundation	321,504	-	(321,504)	-
Furnishings and equipment, net	<u>377,193</u>	<u>-</u>	<u>-</u>	<u>377,193</u>
Total assets	<u>\$ 12,309,748</u>	<u>\$ 8,869,804</u>	<u>\$ (321,504)</u>	<u>\$ 20,858,048</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,371,429	\$ 139,922	\$ -	\$ 1,511,351
Funds held for others	2,422,544	-	-	2,422,544
Amounts due to USA Gymnastics	-	321,504	(321,504)	-
Deferred revenue	<u>4,476,891</u>	<u>-</u>	<u>-</u>	<u>4,476,891</u>
Total liabilities	8,270,864	461,426	(321,504)	8,410,786
Net assets:				
Unrestricted	4,038,884	7,462,244	-	11,501,128
Temporarily restricted	<u>-</u>	<u>946,134</u>	<u>-</u>	<u>946,134</u>
Total net assets	<u>4,038,884</u>	<u>8,408,378</u>	<u>-</u>	<u>12,447,262</u>
Total liabilities and net assets	<u>\$ 12,309,748</u>	<u>\$ 8,869,804</u>	<u>\$ (321,504)</u>	<u>\$ 20,858,048</u>

See accompanying report of independent auditors

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 ACTIVITIES
Year ended December 31, 2012

	-----USA Gymnastics-----			-----National Gymnastics Foundation-----			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 156,647	\$ 156,647	\$ -	\$ 156,647
Marketing and events	9,437,259	-	9,437,259	-	-	-	-	9,437,259
Communications and publications	391,251	-	391,251	-	-	-	-	391,251
Post-Olympic Tour, net of direct expense of \$7,205,468 for 2012	1,667,480	-	1,667,480	-	-	-	-	1,667,480
Program:								
Women's gymnastics	903,514	-	903,514	-	-	-	-	903,514
Men's gymnastics	170,469	-	170,469	-	-	-	-	170,469
Trampoline and tumbling	927,270	-	927,270	-	-	-	-	927,270
Acrobatic gymnastics	354,559	-	354,559	-	-	-	-	354,559
Rhythmic gymnastics	245,894	-	245,894	-	-	-	-	245,894
Gymnastics for All	-	-	-	-	-	-	-	-
International relations	-	-	-	-	-	-	-	-
Total program	<u>2,601,706</u>	<u>-</u>	<u>2,601,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,601,706</u>
Member services	8,854,642	-	8,854,642	-	-	-	-	8,854,642
Administrative:								
United States Olympic Committee	3,295,583	-	3,295,583	-	-	-	-	3,295,583
Foundation/ Organization grants	359,262	-	359,262	3,000,000	-	3,000,000	(3,359,262)	-
Other	436,501	-	436,501	9,152	-	9,152	-	445,653
Releases from restriction	-	-	-	53,132	(53,132)	-	-	-
Total administrative	<u>4,091,346</u>	<u>-</u>	<u>4,091,346</u>	<u>3,062,284</u>	<u>(53,132)</u>	<u>3,009,152</u>	<u>(3,359,262)</u>	<u>3,741,236</u>
Total revenue	27,043,684	-	27,043,684	3,062,284	103,515	3,165,799	(3,359,262)	26,850,221
Expenses:								
Program services:								
Marketing and events	9,444,469	-	9,444,469	-	-	-	-	9,444,469
Member services	3,260,661	-	3,260,661	-	-	-	-	3,260,661
Communications	1,727,677	-	1,727,677	-	-	-	-	1,727,677
Women's gymnastics	3,785,895	-	3,785,895	-	-	-	-	3,785,895
Men's gymnastics	1,762,933	-	1,762,933	31,838	-	31,838	-	1,794,771
Trampoline and tumbling	1,229,083	-	1,229,083	21,294	-	21,294	-	1,250,377
Acrobatic gymnastics	480,992	-	480,992	-	-	-	-	480,992
Rhythmic gymnastics	715,988	-	715,988	-	-	-	-	715,988
Gymnastics for All	38,327	-	38,327	-	-	-	-	38,327
International relations	196,211	-	196,211	-	-	-	-	196,211
Total program services expense	<u>22,642,236</u>	<u>-</u>	<u>22,642,236</u>	<u>53,132</u>	<u>-</u>	<u>53,132</u>	<u>-</u>	<u>22,695,368</u>
Supporting services:								
Administrative	3,067,402	-	3,067,402	79,847	-	79,847	-	3,147,249
Foundation/ Organization grants	3,000,000	-	3,000,000	359,262	-	359,262	(3,359,262)	-
Governance	40,241	-	40,241	2,789	-	2,789	-	43,030
Total supporting services expense	<u>6,107,643</u>	<u>-</u>	<u>6,107,643</u>	<u>441,898</u>	<u>-</u>	<u>441,898</u>	<u>(3,359,262)</u>	<u>3,190,279</u>
Total expenses	<u>28,749,879</u>	<u>-</u>	<u>28,749,879</u>	<u>495,030</u>	<u>-</u>	<u>495,030</u>	<u>(3,359,262)</u>	<u>25,885,647</u>
Change in net assets, before investment returns	(1,706,195)	-	(1,706,195)	2,567,254	103,515	2,670,769	-	946,574
Investment returns	<u>66,825</u>	<u>-</u>	<u>66,825</u>	<u>628,386</u>	<u>-</u>	<u>628,386</u>	<u>-</u>	<u>695,211</u>
Change in net assets	(1,639,370)	-	(1,639,370)	3,195,640	103,515	3,299,155	-	1,659,785
Net assets, beginning 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>
Net assets, end of year	<u>\$ 4,038,884</u>	<u>\$ -</u>	<u>\$ 4,038,884</u>	<u>\$ 7,462,244</u>	<u>\$ 946,134</u>	<u>\$ 8,408,378</u>	<u>\$ -</u>	<u>\$ 12,447,262</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
Acrobatic gymnastics	378,666	-	378,666	-	-	-	-	378,666
Rhythmic gymnastics	262,899	-	262,899	-	-	-	-	262,899
Gymnastics for All	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	3,074,775	-	3,074,775	-	-	-	-	3,074,775
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
Acrobatic gymnastics	486,299	-	486,299	-	-	-	-	486,299
Rhythmic gymnastics	902,585	-	902,585	-	-	-	-	902,585
Gymnastics for All	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	75,366	-	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>17,924,734</u>	<u>-</u>	<u>17,924,734</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