USA TRIATHLON

Financial Statements & Supplemental Schedules

For the Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
USA Triathlon
Colorado Springs, Colorado

We have audited the accompanying statements of financial position of USA Triathlon (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Triathlon 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended December 31, 2010 are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP April D1, 2011

USA TRIATHLON

Statements of Financial Position December 31, 2010 and 2009

<u>ASS</u>	ETS	
	<u> 2010</u>	<u> 2009</u>
CURRENT ASSETS: Cash and cash equivalents Certificates of deposit (Note C) Accounts receivable, net Inventory Prepaid expenses Deposits	\$ 882,140 525,000 37,211 8,370 496,931	\$ 484,148 512,000 65,449 43,904 393,741 8,000
Total current assets	1,949,652	1,507,242
LONG-TERM INVESTMENTS (Note B)	5,002,201	5,053,122
PROPERTY AND EQUIPMENT: Office furniture and equipment Leasehold improvements	1,246,046 81,803	588,274
Less accumulated depreciation	(235,721)	<u>(283,445</u>)
Property and equipment - net	1,092,128	304,829
TOTAL ASSETS	\$ 8,043,981	\$ 6,865,193
LIABILITIES A	ND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable Accrued liabilities	\$ 509,396 271,052	\$ 75,036 225,718
Deferred revenue (Note D)	2,107,034	2,001,829
Total current liabilities	2,887,482	2,302,583
NET ASSETS: Unrestricted	5,156,499	4,562,610
Total net assets	5,156,499	4,562,610
TOTAL LIABILITIES AND NET ASSETS	\$ 8,043,981	\$ 6,865,193

USA TRIATHLON
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u> 2009</u>
REVENUE:		
Membership registrations (Note E)	\$ 7,155,521	\$ 6,722,798
Investment income (Note B)	456,306	740,457
In-kind contributions	694,439	721,782
Championships	454,479	649,318
Coaching camps and clinics	594,697	545,597
USOC grants (Note F)	471,058	441,412
Sanctioning	408,036	343,398
Corporate sponsorship	347,437	295,129
Advertising income	240,268	218,590
Other revenue	45,718	136,847
USOC content licensing agreement (Note F)	75,000	93,000
Royalties	59,662	63,058
Coaching certification	93,119	48,817
Contributions	28,711	30,113
Total revenue	11,124,451	11,050,316
EXPENSES:		
Program services:		
Competitions and training (Note G)	4,816,856	3,604,039
Membership	1,773,642	1,586,960
Event sanctioning	1,600,285	<u>1,703,558</u>
Total program services	8,190,783	6,894,557
Supporting services:		
General and administrative	1,383,735	1,189,339
Marketing and sponsor development	837,409	732,873
Board of directors	<u> 118,635</u>	92,076
Total supporting services	2,339,779	2,014,288
Total expenses	10,530,562	<u>8,908,845</u>
CHANGE IN NET ASSETS	593,889	2,141,471
NET ASSETS, beginning of year	4,562,610	2,421,139
NET ASSETS, end of year	\$ 5,156,499	\$ 4,562,610

USA TRIATHLON

Statements of Cash Flows For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 593,889	\$ 2,141,471
Adjustments to reconcile change in net		
assets to net cash provided by		
operating activities:		
Depreciation	130,911	74,214
Unrealized gain on investments	(230,391)	(488,561)
Decrease (increase) in assets:		
Accounts receivable	28,238	5,401
Inventory	35,534	(36,765)
Prepaid expenses	(103,190)	(102,486)
Deposits	8,000	
Increase (decrease) in liabilities:		
Accounts payable	434,360	(54,831)
Accrued liabilities	45,334	126,736
Deferred revenue	105,205	394,589
Total adjustments	454,001	(81,703)
Net cash provided by		
operating activities	1,047,890	2,059,768
•	1/01//050	1,033,100
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(918,210)	(243,556)
Proceeds from sale of investments	2,825,477	4,711,934
Purchase of investments	(2,557,165)	<u>(6,529,649</u>)
Net cash used by		
investing activities	(649,898)	(2,061,271)
NEW INCREAGE (DECIDENCE) IN CACH	397,992	(1,503)
NET INCREASE (DECREASE) IN CASH	351,354	(1,503)
CASH AND CASH EQUIVALENTS,		
beginning of year	484,148	485,651
CASH AND CASH EQUIVALENTS,		
end of year	\$ 882,140	\$ 484,148

USA TRIATHLON

Notes to Financial Statements For the Years Ended December 31, 2010 and 2009

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Triathlon is the national governing body for the sport of triathlon, making it responsible for the promotion and development of triathlon in the United States.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740, "Income Taxes", which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2007 - 2010. The Organization believes that its operations have been conducted in accordance with its taxexempt status.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Organization's checking and money market accounts. The Organization maintains its cash and cash equivalents at a commercial bank. In the unlikely event of a bank failure, the Organization might only be able to recover the amounts insured.

Depreciation and Amortization

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is recorded using the straight-line method over an estimated useful life of five years. Depreciation expense was \$130,911 and \$74,214 for the years ended December 31, 2010 and 2009, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Membership Registrations

Membership registrations for single events are recognized as revenue upon receipt. Revenue from one, two and three-year memberships are recognized ratably over the term of the membership.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from balances outstanding at year-end. Based on the Organization's experience with individuals and entities having outstanding balances, it has concluded that an allowance for doubtful accounts of \$22,500 was necessary at both December 31, 2010 and 2009.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists of promotional items and competition supplies.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

In-kind Contributions

Sponsorship income in the form of in-kind goods is reported as revenue and expense in the fiscal year it is received. The Organization received \$694,439 and \$721,782 of in-kind contributions during the years ended December 31, 2010 and 2009, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 1, 2011, the date the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level and the measurements) lowest priority to measurements significant unobservable inputs (Level measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

B. FAIR VALUE MEASUREMENTS - Continued

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2010 and 2009:

Assets at Fair Value as of December 31, 2010

	<u>Level 1</u>	Level 2	Level 3	Total
Mutual funds Common stock Certificates	\$ 3,017,063 1,928,639	\$	\$	\$ 3,017,063 1,928,639
of deposit Money market	525,000 56,499			525,000 56,499
	<u>\$ 5,527,201</u>	\$	\$	<u>\$ 5,527,201</u>

Assets at Fair Value as of December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Total
Mutual funds Common stock Certificates	\$ 3,237,842 1,762,651	\$	\$	\$ 3,237,842 1,762,651
of deposit Money market	512,000 52,629		X	512,000 <u>52,629</u>
	\$ 5,565,122	<u>\$</u>	\$	<u>\$ 5,565,122</u>

Investment income in the accompanying statement of activities consists of the following for the years ended December 31, 2010 and 2009:

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	<u>2010</u>	<u> 2009</u>
Realized gains	\$ 47,280	\$ 104,242
Interest and dividends	178,635	147,654
Unrealized gains	 230,391	 488,561
	\$ <u>456,306</u>	\$ 740,457

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2010 consist of nine individual certificates from commercial banks with maturity dates ranging from May, 2011 through November, 2012. The interest rates on the certificates range from .8% to 2.35%.

D. DEFERRED REVENUE

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

	<u> 2010</u>	<u> 2009</u>
Membership	\$ 1,953,679	\$ 1,906,176
Coaching Conference	80,485	4 5,695
Triathlon World Championships	40,350	12,696
Race Director Conference	32,520	37,262
	\$ 2,107,034	\$ 2,001,829

E. MEMBERSHIP REGISTRATIONS

Membership registrations for the years ended December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u> 2009</u>
Adult annual One-day permits Youth annual Professional annual Gold	\$ 3,763,379 3,267,329 86,741 38,072	\$ 3,401,488 3,120,255 162,115 36,360 2,580
	\$ 7,155,521	\$ 6,722,798

F. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Organization. Total grants from the USOC for the years ended December 31, 2010 and 2009 consisted of the following:

		<u> 2010</u>	<u> 2009</u>
NGB funding Value-in-kind	\$ —	445,510 25,548	\$ 415,022 26,390
	<u>\$</u>	471,058	\$ 441,412

In May, 2007 the Organization entered into a content license agreement with the USOC. The term of the agreement is July 1, 2007 through December 31, 2012. The Organization received \$75,000 and \$93,000 during the years ended December 31, 2010 and 2009, respectively.

Three members of the Board of Directors earn a portion of their living staging triathlon races sanctioned by USA Triathlon. The Directors do not receive any compensation from the Organization for these events.

G. COMPETITIONS AND TRAINING

Competitions and training expenses for the years ended December 31, 2010 and 2009 consist of the following:

	2010	2009
Championships & Team USA National Teams Athlete development Coaching & coaching education Residency program Age Group Commission Athletes Advisory Council Women's Commission	\$ 2,425,007 1,094,996 776,506 466,416 25,823 4,422 3,686	\$ 1,935,471 1,020,036 286,798 279,533 75,027 3,806 563 2,805
	<u>\$ 4,816,856</u>	\$ 3,604,039

H RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan. To be eligible, an employee must be 21 years of age and have ninety days of continuous employment. The Organization makes a matching contribution for all eligible employees of up to 5% of eligible compensation. The Organization may also make a discretionary contribution. Pension expense for the years ended December 31, 2010 and 2009 amounted to \$70,927 and \$62,700, respectively.

I. LEASES

The Organization entered into an operating lease agreement for office space that began July 1, 2010 and continues through December 31, 2017. The Organization leases one copier requiring monthly payments of \$288 through December 2011 and four additional copiers requiring monthly payments of \$2,243 through November 2013. Future minimum lease payments are as follows:

2011	\$ 197,9	49
2012	201,7	133
2013	206,9	10
2014	189,6	559
2015	197,0	179
Thereafter	416,4	<u>:19</u>
	\$ 1,409,7	49

USA TRIATHLON
Schedule of Program Services
For the Year Ended December 31, 2010

78	\$ 1,600,285	\$ 1,773,642	\$ 4,816,856	
631,307	119,984	16,775	494,548	value-in-kind
۰.	, 4	3,464		OMILORIUS
ω	1,7	2,470	28,332	Telebuone
169,068	17,740		151,328	me 1 and and a
			3/5	ochorate milys
53	•	240,032	982,456	Scholarshing
16	7,691	5,130	104,090	Carlestice.
ū	36,000	93,532	26,321	Pertent Lees
40,	879	508,052	31,403	
8	678	262,317	22,588	brinting brinting
9	17,481	22,442	69,839	٠ ر
	469	1,760	9,478	Office supplies
φ.		723	9,181	MISCELLANEOUS
٠.	89	87	32,320	Merchandise
_			37,553	medical
. ·			2,157	mechanical support
690,827	45,508	22,609	622,710	Meals & loaging
N.			2,583	wathtenance & repairs
ا ف		904	18,249	Moister registration fees
12			12,325	
70	1,055,535		14,882	insurance
07	500		106,658	incentives
40	•		149,280	Hospitality
	6,486	7,762	146,898	Ground transportation
, L		63,150	204,538	Grants & sponsorships
44,400 67 003		15,814	52,179	Equipment rental & purchase
`	,		44,466	Entry fees
1 'r	28,906	54,623	133,802	Employee benefits
7,000	(105)	129	3,916	Educational
J (1,716	6,172	Dues & subscriptions
477 A10		123,645	351,773	Contract Labor
4 j	25.50	113,886	43,638	computer expense
	807		11,934	Banners
77 57		177,571		Damk Charges
ω (00)	2,4	10,117	221,350	Awards
648 17	17,769	16,932	613,469	Alriare
\$ 33 126	·ca	\$ 8,000	\$ 25,126	Advertising
Total	Event Sanctioning	Membership	Competitions and Training	

USA TRIATHLON
Schedule of Supporting Services
For the Year Ended December 31, 2010

	Gen	General and Administrative	Man and	Marketing and Sponsor Development	₽ ₩	Board of		1 0 1 1
Advertising	va-	250	va	7 009	•		*	2
Airfare		34,224	4	17.287	₹	3F 330	-Z/	
Awards		6,235		6,373		133		J -
Banners				36,773				י ע
Computer expense		3,273		957		20		٠,
		42,248		61.527		(, T
Depreciation		130,911						~
Dues & subscriptions		5,379		1,807		750		1 C
Educational		2,691		623		, c		טייי לי
Employee benefits		59,215		60.955				100,014
Entry fees		10						10,1,0
Equipment rental & purchase		16,693		1,568		رد 1		
Ground transportation		7,800		11,735		10 247		20 783
Hospitality		6,790		225				٦,
Legal		50,708						50 70B
Licenses & registration fees		5,635		5,374				ے ∸
Meals & lodging		26,745		47,925		60,640		135.310
Merchandise		62		39,259		•		-
Miscellaneous		(2,578)		46,887				44.309
Office supplies		24,368		1,951		588		י עב
Payroll taxes		38,693		30,142				20 (
Postage & shipping		3,837		6,950		3,330		4
		17,903		2,865		45		
Professional fees		103,177		20,739		8,250		N :
Rental		190,302		23,664		Ļ		
Repairs & maintenance		3,140		544				ω.
Salaries		538,747		397,970				936,717
Taxes & Lees						850		
Telephone		48,570		2,156		4,720		55,446
Unitorms		2,612		4,144				-
Value-in-kind		16,095					-	
	¢s-	1,383,735	₹O÷	837,409	1/2 -	118,635	(V-	2.339.779
			:		H	-	ľ	