

**USA TRACK & FIELD, INC.**  
**Indianapolis, Indiana**

**FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
USA Track & Field, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of USA Track & Field, Inc. (USATF), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of USA Track & Field, Inc. as of December 31, 2014 and 2013, 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.

*CliftonLarsonAllen LLP*

Indianapolis, Indiana  
January 13, 2016

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,995,178	\$ 3,709,884
Investments	11,836,019	3,531,589
Investment income receivable	40,973	-
Accounts receivable, net of allowance for doubtful accounts of \$-0- and \$32,610, respectively	316,063	417,541
Inventory	685,889	815,090
Prepaid expenses and other assets	375,853	639,377
Deferred sponsorship commission expenses	<u>925,481</u>	<u>-</u>
Total current assets	19,175,456	9,113,481
 <b>LONG-TERM DEFERRED SPONSORSHIP COMMISSION EXPENSES</b>	 22,828,526	 -
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>304,073</u>	<u>208,857</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 42,308,055</u>	 <u>\$ 9,322,338</u>

**LIABILITIES AND NET ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,431,948	\$ 2,517,225
Accrued sponsorship commission expenses	500,000	-
Deferred revenue	<u>14,016,954</u>	<u>2,482,320</u>
Total current liabilities	16,948,902	4,999,545
 <b>LONG-TERM ACCRUED SPONSORSHIP COMMISSION EXPENSES</b>	 <u>22,062,500</u>	 <u>-</u>
Total liabilities	39,011,402	4,999,545
 <b>NET ASSETS</b>		
Unrestricted - Operating	14,591,256	4,085,575
Unrestricted - Nonoperating	<u>(11,435,897)</u>	<u>-</u>
Total Unrestricted	3,155,359	4,085,575
Temporarily restricted	<u>141,294</u>	<u>237,218</u>
Total net assets	<u>3,296,653</u>	<u>4,322,793</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 42,308,055</u>	 <u>\$ 9,322,338</u>

The accompanying notes are an integral part of the financial statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2014 and 2013**

<b>OPERATING CHANGES IN UNRESTRICTED NET ASSETS:</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Revenues, gains, public support and transfers:		
Sponsorships, net	\$ 14,955,290	\$ 9,947,023
Transfer of Sponsorship Cash Received	11,435,897	-
United States Olympic Committee grants	2,915,159	2,882,483
Events and athlete programs	914,283	1,089,510
Member-based programs	3,143,290	3,328,577
Merchandise sales	1,219,693	1,703,080
Other revenue	<u>357,662</u>	<u>640,651</u>
Total operating revenues, gains, and public support and transfers	<u>34,941,274</u>	<u>19,591,324</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>109,324</u>	<u>-</u>
Total net assets released from restrictions	<u>109,324</u>	<u>-</u>
Total operating unrestricted revenues, gains, transfers and other support	<u>35,050,598</u>	<u>19,591,324</u>
Operating Expenses:		
Program expenses		
Elite athlete competitions	8,244,005	6,964,661
Sports Performance	4,501,296	3,543,976
Grass roots programs	1,146,539	1,568,001
Member-based programs	2,075,765	1,975,114
Program support	2,262,951	1,779,184
Cost of goods sold	<u>1,690,983</u>	<u>1,813,114</u>
Total program expenses	19,921,539	17,644,050
Administration and governance	<u>4,623,378</u>	<u>2,783,939</u>
Total operating expenses	<u>24,544,917</u>	<u>20,427,989</u>
Increase (decrease) in unrestricted operating net assets	10,505,681	(836,665)

The accompanying notes are an integral part of the financial statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF ACTIVITIES (continued)**  
**Years Ended December 31, 2014 and 2013**

<b>NON-OPERATING CHANGES IN UNRESTRICTED</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>NET ASSETS:</b>		
Sponsorship Cash Received Used in Operations	(11,435,897)	-
	<hr/>	<hr/>
Total decrease in unrestricted net assets	(930,216)	(836,665)
	<hr/>	<hr/>
<b>CHANGES IN TEMPORARILY RESTRICTED</b>		
<b>NET ASSETS:</b>		
Contributions	13,400	175,000
Net assets released from restrictions	(109,324)	-
	<hr/>	<hr/>
Increase (decrease) in temporarily restricted net assets	(95,924)	175,000
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	(1,026,140)	(661,665)
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,322,793	4,984,458
	<hr/>	<hr/>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,296,653</u>	<u>\$ 4,322,793</u>

The accompanying notes are an integral part of the financial statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,026,140)	\$ (661,665)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,787	44,661
(Gain) loss on sale of property and equipment	(45,500)	67,082
Donated inventory	(788,772)	(1,156,596)
Net realized and unrealized (gains) losses on investments	159,555	(180,125)
Effects of changes in operating assets and liabilities:		
Investment income receivable	(40,973)	-
Accounts receivable	101,478	661,210
Prepaid expenses and other assets	263,524	(89,305)
Deferred sponsorship commission expenses	(23,754,007)	-
Inventory	917,973	1,339,483
Accounts payable and accrued expenses	(85,277)	821,627
Accrued sponsorship commission expenses	22,562,500	-
Deferred revenue	11,534,634	264,984
	<u>9,855,782</u>	<u>1,111,356</u>
Net cash provided by operating activities		
	<u>9,855,782</u>	<u>1,111,356</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(106,503)	(163,042)
Purchase of investments	(13,438,333)	(3,879,749)
Proceeds from sale of investments	4,974,348	528,285
	<u>4,974,348</u>	<u>528,285</u>
Net cash used in investing activities		
	<u>(8,570,488)</u>	<u>(3,514,506)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,285,294	(2,403,150)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,709,884</u>	<u>6,113,034</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,995,178</u>	<u>\$ 3,709,884</u>
<b>SUPPLEMENTAL DATA</b>		
Non-cash transactions:		
In-kind contributions	<u>\$ 2,646,253</u>	<u>\$ 2,445,563</u>

The accompanying notes are an integral part of the financial statements.



**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 – MISSION AND ORGANIZATION**

USA Track & Field, Inc. (USATF) drives competitive excellence and popular engagement in our sport.

USATF is the national governing body for track and field, long-distance running, race walking, and cross-country running. USATF is the United States' representative member of the International Association of Athletics Federations (IAAF), the world governing body for athletics, as well as a Group A member of the United States Olympic Committee (USOC).

Through its national membership of 2,500 clubs, schools and other organizations interested in track and field, long-distance running, and race walking, USATF promotes programs of training and competition for all ages, protects the interests and eligibility of its more than 100,000 registered athletes, and establishes and maintains the sports' rules of competition.

As a governing body, USATF 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.

Revenue to support these programs is generated primarily by sponsorships, USOC grants, events, and memberships.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING AND NET ASSET CLASSIFICATION**

Revenue and expenses are reported as an increase or decrease, respectively, in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Temporarily restricted net assets are assets whose use by USATF has been limited by donors to a specific time period or purpose. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

**NET ASSET CLASSIFICATIONS**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (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 USATF. The unrestricted net assets may be used to support USATF's purposes and operations.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**NET ASSET CLASSIFICATIONS** (continued)

**TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net asset class includes assets of USATF 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. Net assets temporarily restricted for the use of supporting specific USATF programs total \$141,294 and \$237,218 at December 31, 2014 and 2013, respectively. Temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions during the year ended December 31, 2014 totaled \$109,324. There were no temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions during the year ended December 31, 2013.

**PERMANENTLY RESTRICTED NET ASSETS**

The permanently restricted net asset class includes assets of USTAF 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. USATF did not have any permanently restricted net assets at December 31, 2014 and 2013.

**INCOME TAXES**

The Internal Revenue Service (IRS) has ruled that USATF qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income taxation under present income tax laws. USATF is subject to tax on the sale of merchandise which is considered unrelated to its tax-exempt purpose. Unrelated business income tax expense totaled \$-0- for both 2014 and 2013.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by USATF and recognize a tax liability (or asset) if USATF has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by USATF, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The U.S. federal and state income tax returns of USATF are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. Filings for tax returns filed for the tax years after 2010 are still subject to examination as of December 31, 2014.

**CREDIT RISKS**

USATF maintains its checking and savings accounts at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Periodically throughout the year, USATF's cash balances may exceed this FDIC insurance coverage limit; however, management does not anticipate non-performance by the institutions.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**USE OF ESTIMATES**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**REVENUE RECOGNITION**

Membership revenue is recognized ratably over the membership period. Television rights fees, gate receipts, and other event revenue, including sponsorships, are recognized upon completion of the event. National sponsorships and any associated commitment bonuses are recognized ratably over the sponsorship period, offset by any commission expenses associated with sponsorship origination amortized ratably over the sponsorship period. Upfront commitment bonuses for long-term sponsorships are included in operating changes in unrestricted net assets in the amount received during the year and are reduced to the amount earned during the year as a non-operating change in unrestricted net assets. USATF has entered into marketing agreements with sponsors and other business partners that extend until 2040, and is liable for sponsorship negotiation commissions payable through 2039. Association membership fees collected by USATF and passed through are not shown as revenues or expenses in USATF's financial statements.

In 2014 and 2013, USATF received approximately 80% and 63% of total operating revenues from two sponsors and the USOC. Agreements with the sponsors include long-term contracts that extend into 2040.

**CONTRIBUTIONS**

Contributions, which include unconditional pledges, are recognized as revenue in the period received or pledged.

**DEFERRED REVENUE**

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

**USOC FUNDS**

The USOC provides funding to USATF for approved programs through either advances or reimbursements. Such revenue is recognized concurrently with the related expenses. Expenditures are recorded in the program-related accounts.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**VALUE OF IN-KIND AND DONATED SERVICES**

Volunteers and sponsors donate their goods and services to USATF. Value in-kind includes team uniforms, merchandise for resale, office equipment and furniture, legal services, and publication printing and mailing. In-kind revenue recognized in 2014 and 2013 of \$2,646,253 and \$2,445,563, represents an estimate of the goods and services provided. This amount is included under sponsorship revenue, United States Olympic Committee grants, and other revenue on the Statements of Activities. No revenue or expense is recognized when the value of the services provided cannot be objectively or reasonably estimated.

**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 administrative and governance categories based on the actual direct expenditures and cost allocations based upon estimates by management.

**CASH AND CASH EQUIVALENTS**

USATF considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Deposits at each financial institution are insured up to a specified amount by a government agency.

**INVESTMENTS AND INCOME RECOGNITION**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the financial statements in accordance with accounting principles generally accepted in the United States of America, as discussed in Note 6. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Investment gains pertaining to certain restricted net assets are recorded as temporarily restricted or permanently restricted in accordance with the applicable gift instruments. Interest income is recognized under the accrual basis and dividend income on the ex-dividend date.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

**ACCOUNTS RECEIVABLE**

USATF's accounts receivable balance consists of amounts billed or billable under contracts, sponsorship agreements, or for products or services provided. Interest is not charged on outstanding accounts receivable. Management determines the net collectability of accounts receivable by establishing an allowance for doubtful accounts. The allowance is determined by management based on USATF's historical losses, specific payer circumstances, general economic conditions, and results of collection activities.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**INVENTORY**

Inventory is comprised of USATF merchandise for resale which is donated and appropriately valued with in-kind donations. Inventory value at receipt is estimated based on the merchandise received. The inventory is stated at the lower of cost or market on a first-in, first-out basis (FIFO).

**PROPERTY AND EQUIPMENT**

Property and equipment exceeding \$3,000 are recorded at cost at date of acquisition or fair value at date of donation in the case of in-kind gifts. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, based on the following useful lives:

Furniture and fixtures	5 years
Office equipment	7 years
Computer equipment	3 years
Vehicles	3 years
Leasehold improvements	Lease term

Property and equipment balance as shown in the statements of financial position as of December 31, 2014 and 2013, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$295,909 and \$382,003, respectively. Depreciation expense for the years ended December 31, 2014 and 2013 was \$56,787 and \$44,661, respectively.

**IMPAIRMENT OF LONG-LIVED ASSETS**

On an ongoing basis, USATF reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. USATF 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.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 13, 2016, the date the financial statements were available to be issued.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Sponsors	\$ 107,426	\$ 174,983
USATF Foundation	71,879	75,336
Event Organizers	87,996	5,740
Others	<u>48,762</u>	<u>194,092</u>
	316,063	450,151
Allowance for doubtful accounts	<u>-</u>	<u>(32,610)</u>
	<u>\$ 316,063</u>	<u>\$ 417,541</u>

**NOTE 4 – DEFERRED REVENUE**

Deferred revenue consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Deferred sponsorship revenue	\$ 12,835,897	\$ 1,363,250
Rights fees for future events	302,000	301,500
Deferred membership revenue	537,433	508,388
Other deferred revenue	<u>341,624</u>	<u>309,182</u>
	<u>\$ 14,016,954</u>	<u>\$ 2,482,320</u>

**NOTE 5 – INVESTMENTS**

Investments at December 31, 2014 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Equity funds:				
Domestic	\$ 2,297,332	\$ 147,199	\$ -	\$ 2,444,531
International	1,561,191	-	71,569	1,489,622
Income funds:				
Domestic	4,925,538	1,024	94,296	4,832,266
Alternative investments:				
Hedge funds	2,758,453	-	49,857	2,708,596
Other funds	<u>461,539</u>	<u>-</u>	<u>100,535</u>	<u>361,004</u>
Total	<u>\$ 12,004,053</u>	<u>\$ 148,223</u>	<u>\$ 316,257</u>	<u>\$ 11,836,019</u>

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 5 – INVESTMENTS** (continued)

Investments at December 31, 2013 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Equity funds:				
Domestic	\$ 1,267,304	\$ 173,575	\$ 5,962	\$ 1,434,917
International	419,804	19,115	8,727	430,192
Income funds:				
Domestic	746,408	4,057	11,120	739,345
International	370,996	108	14,505	356,599
Alternative investments:				
Hedge funds	256,244	1,417	5,032	252,629
Real estate & infrastructure funds	170,603	2,145	3,297	169,451
Other	150,000	-	1,544	148,456
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 3,381,359</u>	<u>\$ 200,417</u>	<u>\$ 50,187</u>	<u>\$ 3,531,589</u>

The following summarizes investment income classified within other revenue in the statements of activities for the year ended December 31:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 204,181	\$ 70,033
Unrealized gain (loss) on investments	(318,264)	150,230
Realized gain on investments	158,709	29,895
Total investment income	<u>\$ 44,626</u>	<u>\$ 250,158</u>

Investment management fees of \$33,566 and \$10,076 are classified within administration and governance expenses in the statements of activities for the years ended December 31, 2014 and 2013, respectively.

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 6 – FAIR VALUE MEASUREMENTS**

In determining fair value, USATF uses various valuation approaches within the Financial Accounting Standard Board's (FASB) generally accepted fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The accepted framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The definitions of the levels within the hierarchy are based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets, identical assets or liabilities in less active markets, such as dealer or broker markets, inputs other than quoted prices that are observable for assets or liabilities, or inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

*Equity funds*

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. The fair value of mutual funds is based on quoted net asset values of the underlying assets of shares held by the Plan. Equity securities are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such investments are classified within Level 1 of the valuation hierarchy.

*Income funds*

Fixed income securities are traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Such investments are classified within Level 1 of the valuation hierarchy.

*Alternative investments*

Hedge funds and real estate funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Such investments are classified within Level 2 of the valuation hierarchy.



**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 6 – FAIR VALUE MEASUREMENTS** (continued)

Other funds

Forward foreign currency contracts are valued at fair value, as determined by the investment manager's (or independent third parties on behalf of the investment managers), using quoted forward foreign currency exchange rates. At the end of 2014, open contracts are valued at the current forward foreign currency exchange rates, and the change in market value is recorded as an unrealized gain or loss. When the contract is closed or delivery taken, USATF records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Such investments are classified within Level 2 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USATF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets and liabilities of USATF's investments measured at fair value by classification within the fair value hierarchy as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
Domestic	\$ 2,444,531	\$ -	\$ -	\$ 2,444,531
International	1,489,622	-	-	1,489,622
Income funds:				
Domestic	4,832,266	-	-	4,832,266
Alternative investments:				
Hedge funds	-	2,708,596	-	2,708,596
Other funds	-	361,004	-	361,004
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 8,766,419</u>	<u>\$ 3,069,600</u>	<u>\$ -</u>	<u>\$ 11,836,019</u>

**USA TRACK & FIELD, INC.**  
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**NOTE 6 – FAIR VALUE MEASUREMENTS** (continued)

The following table presents assets and liabilities of USATF's investments measured at fair value by classification within the fair value hierarchy as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
Domestic	\$ 1,434,917	\$ -	\$ -	\$ 1,434,917
International	430,192	-	-	430,192
Income funds:				
Domestic	739,345	-	-	739,345
International	356,599	-	-	356,599
Alternative investments:				
Hedge funds	-	252,629	-	252,629
Real estate & infrastructure funds	-	169,451	-	169,451
Other	-	148,456	-	148,456
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,961,053</u>	<u>\$ 570,536</u>	<u>\$ -</u>	<u>\$ 3,531,589</u>

**NOTE 7 – OPERATING LEASES**

USATF has entered into an operating lease for storage facilities expiring on July 31, 2025 and operating leases for office and parking facilities expiring on December 31, 2020 and March 31, 2018, respectively. These leases have fluctuating rent payments. Approximate future minimum payments required under current operating leases with non-cancelable lease terms in excess of one year are as follows:

**Year Ending December 31,**

2015	\$ 231,328
2016	293,417
2017	298,310
2018	273,469
2019	269,447
Thereafter	<u>826,370</u>
	<u>\$ 2,192,341</u>

Rent expense under the terms of these leases for the years ended December 31, 2014 and 2013 was \$232,402 and \$231,928, respectively.

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**NOTE 8 – RETIREMENT PLAN**

USATF has a 401(k) plan, allowing both employer and employee contributions. USATF matches 100% of employee contributions up to 5% of compensation, as defined by the plan. Matching contributions are 100% vested. In addition, for all employees with at least one year of service, USATF may contribute additional discretionary employer contributions, as defined by the plan. Discretionary contributions vest ratably over a six-year period. Discretionary employer contributions equaled 5% in both 2014 and 2013.

Retirement plan expense for 2014 and 2013 was \$300,270 and \$248,968, respectively.

**NOTE 9 – LINE OF CREDIT**

USATF entered into a line of credit agreement with JPMorgan Chase Bank, NA (Bank) on June 25, 2013 for a principal amount of \$1,000,000. There were no borrowings against the line during 2013 or as of December 31, 2013. Amounts due are payable monthly and bear interest at the LIBOR rate plus 1.307% as of December 31, 2013. The line of credit is collateralized by withdrawal limits on USATF's savings account maintained at the Bank and matures January 1, 2015. Under the terms of the line of credit, at least once during each year during the term of the agreement ending on each anniversary date, USATF is required to reduce and maintain the outstanding principal balance to a zero balance for a period of at least thirty consecutive calendar days. USATF subsequently closed the line of credit in 2014.

**NOTE 10 – RELATED PARTIES**

**USA TRACK & FIELD FOUNDATION, INC.**

The USA Track & Field Foundation, Inc. (the Foundation) was formed in 2002 to attract funding and support new and innovative track and field programs and expand involvement in the sport. The Foundation is classified under the Internal Revenue Service Code as a 501(c)(3) organization. The Foundation is governed by an independent Board of Directors and its net assets and financial results are not included in the USATF financial statements. While the Foundation Board of Directors is independent of USATF, two seats on the Foundation Board are reserved for the USATF CEO and Board President. In addition, USATF provides administrative support to the Foundation.

Certain expenses of the Foundation are paid by USATF on behalf of the Foundation. All direct costs incurred by USATF on behalf of the Foundation are reimbursed by the Foundation. Total expenses paid on behalf of the Foundation during 2014 and 2013, respectively, were \$263,161 and \$215,250, of which \$215,161 and \$162,893 were reimbursed by the Foundation. Unreimbursed expenses of \$48,000 and \$52,357 for the years ended December 31, 2014 and 2013, respectively, are personnel and overhead costs of USATF staff support provided to the Foundation. During 2014, the Foundation provided \$20,000 in grants to USATF designated for specific programs supporting youth development through competitive opportunities. No grants were provided to USATF by the Foundation during 2013.

**USA TRACK & FIELD, INC.**  
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**NOTE 11 – RISKS AND UNCERTAINTIES**

USATF is a defendant in certain lawsuits. Management intends to vigorously contest these cases and does not expect their outcome to have a material effect on USATF's financial position. In addition, management believes its insurance policies are adequate. USATF is party to various contracts and agreements which include future obligations of USATF. USATF could be liable for unfulfilled contractual duties if future events do not take place as planned, but management believes they are adequately safeguarded from material liabilities by negotiating contracts to allow for such contingencies.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

In 2014, USATF received a one-time commitment bonus from a sponsor in the amount of \$25,000,000 in consideration for entering into a long-term contract extending through 2040, \$15,000,000 of which was received during 2014. \$5,000,000 will be received in each of the years 2015 and 2016. The sponsorship agreement may be terminated by either party in advance of 2040 for various reasons, and the sponsor has the right to recoup all or part of the commitment bonus depending on the effective date of the termination of the agreement. As described in Note 2, commitment bonus revenue is recognized ratably over the sponsorship period. As such, the deferred revenue balance as shown in the statement of financial position includes a portion of this commitment bonus received but not yet recognized as revenue as of December 31, 2014.

No additional provision has been made in the accompanying financial statements for the contingent liability since termination of the sponsorship agreement is not anticipated and the ultimate liability cannot be reasonably estimated.

In conjunction with the origination of the long-term contract extending through 2040 discussed above, USATF is liable for a sponsorship negotiation commission payable through 2039. As such, the statement of financial position as of December 31, 2014, includes a current and long-term accrued expense representing the amounts due for such commissions. Also, the statement of financial position as of December 31, 2014, includes a current and long-term deferred expense asset related to the amortization of the commission expense ratably over the associated sponsorship period.

This information is an integral part of the accompanying financial statements.