

**USA TRACK & FIELD, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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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, 2015 and 2014, 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.

Board of Directors  
USA Track & Field, Inc.

***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, 2015 and 2014, 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*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
November 21, 2016

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,640,446	\$ 4,995,178
Investments	11,355,796	11,836,019
Investment income receivable	57,066	40,973
Accounts receivable, net of allowance for doubtful accounts of \$85,454 and \$-0-, respectively	389,647	316,063
Inventory	545,196	685,889
Prepaid expenses and other assets	976,879	375,853
Deferred sponsorship commission expenses	925,481	925,481
	18,890,511	19,175,456
 <b>LONG-TERM DEFERRED SPONSORSHIP COMMISSION EXPENSES</b>		
	21,903,045	22,828,526
<b>PROPERTY AND EQUIPMENT, NET</b>		
	279,863	304,073
	41,073,419	42,308,055
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,743,975	\$ 2,431,948
Accrued sponsorship commission expenses	500,000	500,000
Deferred revenue	10,892,904	14,016,954
	14,136,879	16,948,902
 <b>LONG-TERM ACCRUED SPONSORSHIP COMMISSION EXPENSES</b>		
	21,562,500	22,062,500
	35,699,379	39,011,402
 <b>NET ASSETS</b>		
Unrestricted - Operating	11,021,299	14,591,256
Unrestricted - Nonoperating	(5,743,589)	(11,435,897)
Total Unrestricted	5,277,710	3,155,359
Temporarily restricted	96,330	141,294
Total net assets	5,374,040	3,296,653
	41,073,419	42,308,055
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 41,073,419</b>	<b>\$ 42,308,055</b>

See accompanying Notes to Financial Statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>OPERATING CHANGES IN UNRESTRICTED</b>		
<b>NET ASSETS:</b>		
Revenues, gains, public support and transfers:		
Sponsorships, net	\$ 22,465,265	\$ 14,955,290
Transfer of sponsorship cash received	(5,692,308)	11,435,897
United States Olympic Committee grants	3,305,304	2,915,159
Events and athlete programs	1,552,473	914,283
Member-based programs	3,283,725	3,143,290
Merchandise sales	1,451,904	1,219,693
Other revenue	361,372	357,662
Total operating revenues, gains, and public support and transfers	<u>26,727,735</u>	<u>34,941,274</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	59,564	109,324
Total net assets released from restrictions	<u>59,564</u>	<u>109,324</u>
Total operating unrestricted revenues, gains, transfers and other support	<u>26,787,299</u>	<u>35,050,598</u>
Operating Expenses:		
Program expenses		
Elite athlete competitions	9,511,449	8,244,005
Sports Performance	6,492,075	4,501,296
Grass roots programs	1,685,128	1,146,539
Member-based programs	2,252,603	2,075,765
Program support	3,961,312	2,262,951
Cost of goods sold	1,606,373	1,690,983
Total program expenses	<u>25,508,940</u>	<u>19,921,539</u>
Administration and governance	4,848,316	4,623,378
Total operating expenses	<u>30,357,256</u>	<u>24,544,917</u>
Increase (decrease) in unrestricted operating net assets	<u>(3,569,957)</u>	<u>10,505,681</u>

See accompanying Notes to Financial Statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>NON-OPERATING CHANGES IN UNRESTRICTED</b>		
<b>NET ASSETS:</b>		
Sponsorship cash received used in operations	5,692,308	(11,435,897)
Total increase (decrease) in unrestricted net assets	2,122,351	(930,216)
<b>CHANGES IN TEMPORARILY RESTRICTED</b>		
<b>NET ASSETS:</b>		
Contributions	14,600	13,400
Net assets released from restrictions	(59,564)	(109,324)
Decrease in temporarily restricted net assets	(44,964)	(95,924)
<b>CHANGE IN NET ASSETS</b>	2,077,387	(1,026,140)
<b>NET ASSETS, BEGINNING OF YEAR</b>	3,296,653	4,322,793
<b>NET ASSETS, END OF YEAR</b>	\$ 5,374,040	\$ 3,296,653

See accompanying Notes to Financial Statements.

**USA TRACK & FIELD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,077,387	\$ (1,026,140)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	97,893	56,787
Gain on sale of property and equipment	-	(45,500)
Donated inventory	(577,872)	(788,772)
Net realized and unrealized losses on investments	253,118	159,555
Effects of changes in operating assets and liabilities:		
Investment income receivable	(16,093)	(40,973)
Accounts receivable	(73,584)	101,478
Prepaid expenses and other assets	(601,026)	263,524
Deferred sponsorship commission expenses	925,481	(23,754,007)
Inventory	718,565	917,973
Accounts payable and accrued expenses	312,027	(85,277)
Accrued sponsorship commission expenses	(500,000)	22,562,500
Deferred revenue	(3,124,050)	11,534,634
	<u>(508,154)</u>	<u>9,855,782</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(73,683)	(106,503)
Purchase of investments	(3,946,182)	(13,438,333)
Proceeds from sale of investments	4,173,287	4,974,348
	<u>153,422</u>	<u>(8,570,488)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(354,732)</u>	<u>1,285,294</u>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,995,178</u>	<u>3,709,884</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,640,446</u>	<u>\$ 4,995,178</u>
 <b>SUPPLEMENTAL DATA</b>		
Non-cash transactions:		
In-kind contributions	<u>\$ 3,035,324</u>	<u>\$ 2,646,253</u>

See accompanying Notes to Financial Statements.



**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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, 2015 AND 2014**

**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 \$96,330 and \$141,294 at December 31, 2015 and 2014, respectively. Temporarily restricted net assets released from restriction due to meeting donor-imposed purpose restrictions during the year ended December 31, 2015 and 2014 totaled \$59,564 and \$109,324, respectively.

**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, 2015 and 2014.

**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 2015 and 2014.

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, 2015, 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 2011 are still subject to examination as of December 31, 2015.

**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, 2015 AND 2014**

**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 2015 and 2014, USATF received approximately 67% and 80% 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, 2015 AND 2014**

**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 2015 and 2014 of \$3,035,324 and \$2,646,253, 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.

**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, 2015 AND 2014**

**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, 2015 and 2014, consisting primarily of furniture and equipment, is shown net of accumulated depreciation of \$393,803 and \$295,909, respectively. Depreciation expense for the years ended December 31, 2015 and 2014 was \$97,893 and \$56,787, 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.

**NEW ACCOUNTING STANDARDS**

*Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance regarding the presentation of financial statements of not-for-profit entities to improve the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires information regarding liquidity and the financial assets available to satisfy near-term demands for cash, requires inclusion of a statement of functional expenses, and alters the net asset classifications. The guidance also requires both qualitative and quantitative disclosures regarding the types of costs that can be allocated and management and general activities. The guidance will initially be applied using a retrospective approach. The standard will be effective for the entity for annual periods beginning after December 15, 2018, and early adoption is permitted and encouraged. Management is evaluating the impact of the amended financial statement presentation guidance on the entity's financial statements.

**USA TRACK & FIELD, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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

**NEW ACCOUNTING STANDARDS** (continued)

Revenue from Contracts with Customers

In May 2014, the (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for periods beginning after December 15, 2016. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 21, 2016, the date the financial statements were available to be issued.

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Sponsors	\$ 25,275	\$ 107,426
USOC	16,381	-
USATF Foundation	66,366	71,879
Event Organizers	160,166	87,996
Others	206,913	48,762
	<u>475,101</u>	<u>316,063</u>
Allowance for doubtful accounts	(85,454)	-
	<u>\$ 389,647</u>	<u>\$ 316,063</u>

**USA TRACK & FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 4 – DEFERRED REVENUE**

Deferred revenue consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Deferred sponsorship revenue	\$ 7,143,588	\$ 12,835,897
Deferred USOC revenue	657,688	-
Rights fees for future events	658,000	302,000
Deferred membership revenue	580,615	537,433
Other deferred revenue	1,853,013	341,624
	<u>\$ 10,892,904</u>	<u>\$ 14,016,954</u>

**NOTE 5 – INVESTMENTS**

Investments at December 31, 2015 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	\$ 1,156,177	\$ 77,934	\$ -	\$ 1,234,111
International	639,053	1,625	41,485	599,193
Income funds:				
Domestic	7,577,455	1,888	205,525	7,373,818
Alternative investments:				
Hedge funds	2,320,754	1,640	173,720	2,148,674
Total	<u>\$ 11,693,439</u>	<u>\$ 83,087</u>	<u>\$ 420,730</u>	<u>\$ 11,355,796</u>

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	461,539	-	100,535	361,004
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, 2015 AND 2014**

**NOTE 5 – INVESTMENTS** (continued)

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 368,597	\$ 204,181
Unrealized loss on investments	(169,609)	(318,264)
Realized gain (loss) on investments	(83,509)	158,709
Total investment income	<u>\$ 115,479</u>	<u>\$ 44,626</u>

Investment management fees of \$77,473 and \$33,566 are classified within administration and governance expenses in the statements of activities for the years ended December 31, 2015 and 2014, respectively.

**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.



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

*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 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. Hedge funds seek to generate consistent capital appreciation over the long term, with relatively low volatility and a low correlation with traditional equity and fixed income markets. The funds do not have a finite life, unfunded commitments relating to this type of investment, or significant restrictions on redemption, as the funds can be redeemed daily. Such investments are classified within Level 2 of the valuation hierarchy.

*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 year-end, 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. Forward foreign currency contracts seek to establish or adjust exposure to particular foreign securities, markets or currencies. The contracts have finite lives generally ranging from twelve to twenty-four months. There are no unfunded commitments relating to this type of investment, or significant restrictions on redemption, as the contracts can be redeemed daily. 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.

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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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
Domestic	\$ 1,234,111	\$ -	\$ -	\$ 1,234,111
International	599,193	-	-	599,193
Income funds:				
Domestic	7,373,818	-	-	7,373,818
Alternative investments:				
Hedge funds	-	2,148,674	-	2,148,674
Total	<u>\$ 9,207,122</u>	<u>\$ 2,148,674</u>	<u>\$ -</u>	<u>\$ 11,355,796</u>

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
Total	<u>\$ 8,766,419</u>	<u>\$ 3,069,600</u>	<u>\$ -</u>	<u>\$ 11,836,019</u>

**NOTE 7 – OPERATING LEASES**

USATF has entered into an operating lease for storage facilities expiring on July 31, 2025 and operating leases for two office spaces expiring on February 28, 2026 and June 30, 2020, respectively. USATF has also entered into an operating lease for parking facilities expiring on March 31, 2018. 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:

<u>Year Ending December 31,</u>	
2016	\$ 544,901
2017	579,951
2018	559,428
2019	559,305
2020	491,803
Thereafter	2,290,373
	<u>\$ 5,025,761</u>

Rent and associated property tax expense under the terms of these leases for the years ended December 31, 2015 and 2014 was \$352,569 and \$232,402, 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 2015 and 2014.

Retirement plan expense for 2015 and 2014 was \$357,268 and \$300,270, respectively.

**NOTE 9 – LINES OF CREDIT**

USATF entered into a line of credit agreement with JPMorgan Chase Bank, NA (the Bank) on June 25, 2013, for a principal amount of \$1,000,000. There were no borrowings against the line during 2013 or 2014, and the line was closed during 2014.

USATF entered into a line of credit agreement with the Bank on June 1, 2015, for a principal amount of \$3,000,000. There was no balance outstanding on the line as of December 31, 2015. Interest is calculated on the outstanding daily balance at a variable rate of LIBOR plus 1.79%. Accrued interest is due and payable monthly, with the full outstanding principal balance and accrued interest due at maturity on June 1, 2017. The line of credit is collateralized by certain investment accounts held by the Bank in the name of USATF, as well as substantially all of USATF's property to the extent the investment account balances are not sufficient to fully collateralize the balance outstanding. There are no covenants which require periodic reporting to the Bank.

**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 2015 and 2014, respectively, were \$252,071 and \$263,161, of which \$252,071 and \$215,161 were reimbursed by the Foundation. Unreimbursed expenses of \$48,000 for the year ended December 31, 2014 are personnel and overhead costs of USATF staff support provided to the Foundation. There were no such overhead costs incurred by USATF on behalf of the Foundation during 2015. During 2015 and 2014, the Foundation provided \$20,000 in grants to USATF designated for specific programs supporting youth development through competitive opportunities.

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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 and \$5,000,000 of which was received during 2015. The remaining \$5,000,000 will be received in 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 statements of financial position include a portion of this commitment bonus received but not yet recognized as revenue as of December 31, 2015 and 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 statements of financial position as of December 31, 2015 and 2014, include a current and long-term accrued expense representing the amounts due for such commissions. Also, the statements of financial position as of December 31, 2015 and 2014, include a current and long-term deferred expense asset related to the amortization of the commission expense ratably over the associated sponsorship period.