

**UNITED STATES FIGURE SKATING
ASSOCIATION**

Consolidated Financial Statements

And

Supplemental Schedules

For the Year Ended June 30, 2011

And

Independent Auditors' Report

UNITED STATES FIGURE SKATING ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Figure Skating Association

We have audited the accompanying consolidated statements of financial position of United States Figure Skating Association and Affiliates (collectively, the Organization) as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2010 consolidated financial statements which were audited by other auditors whose report dated October 20, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Figure Skating Association at June 30, 2011, and the change in their net assets and their cash flows for the year 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 consolidated financial statements as a whole. The accompanying supplementary information on pages 15 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements for the year ended June 30, 2011, taken as a whole.

Stockman Kast Ryan + Co., LLP
October 26, 2011

UNITED STATES FIGURE SKATING ASSOCIATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2011 (with comparative totals for 2010)

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,551,672	\$ 2,228,301
Accounts receivable, net	604,729	474,609
Promise to give	224,254	214,796
Investments	70,509,099	60,543,540
Beneficial interest in perpetual trust	117,957	105,508
Inventory	128,471	104,126
Prepaid expenses and other assets	379,147	622,692
Property and equipment	1,948,844	1,401,420
Historical artifacts	<u>688,261</u>	<u>688,261</u>
TOTAL ASSETS	<u>\$ 76,152,434</u>	<u>\$ 66,383,253</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 710,381	\$ 1,046,874
Deferred revenue	<u>1,420,759</u>	<u>959,655</u>
Total liabilities	<u>2,131,140</u>	<u>2,006,529</u>
NET ASSETS		
Unrestricted:		
Board-designated for reserves	62,416,590	55,090,326
Board-designated for skaters	8,171,726	6,527,220
Invested in property and equipment, and historical artifacts	<u>2,637,105</u>	<u>2,089,681</u>
Total unrestricted	73,225,421	63,707,227
Temporarily restricted	232,330	177,861
Permanently restricted	<u>563,543</u>	<u>491,636</u>
Total net assets	<u>74,021,294</u>	<u>64,376,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 76,152,434</u>	<u>\$ 66,383,253</u>

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011 (with comparative totals for 2010)

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE, GAINS AND OTHER SUPPORT					
Net investment income	\$ 13,397,630	\$ 12,369	\$ 12,449	\$ 13,422,448	\$ 6,047,269
Dues, admissions and activity fees	4,370,641			4,370,641	4,289,913
Skating events and sponsorships	2,450,407			2,450,407	2,672,036
Broadcasting and licensing	2,256,187			2,256,187	2,417,938
Contributions	1,112,646	54,469	59,458	1,226,573	820,358
USOC and PSA grants	902,551			902,551	1,070,004
Publications	273,768			273,768	295,828
Net assets released from restrictions	<u>12,369</u>	<u>(12,369)</u>			
Total	<u>24,776,199</u>	<u>54,469</u>	<u>71,907</u>	<u>24,902,575</u>	<u>17,613,346</u>
EXPENSES					
Program services:					
Skating events	4,890,556			4,890,556	4,888,854
Membership activities and services	3,621,162			3,621,162	1,880,740
Development and support of athletes	3,426,346			3,426,346	4,290,132
Governance and judging	489,644			489,644	483,002
Publications	<u>456,217</u>			<u>456,217</u>	<u>590,264</u>
Total	<u>12,883,925</u>	<u>—</u>	<u>—</u>	<u>12,883,925</u>	<u>12,132,992</u>
Supporting services:					
Management and general	1,747,460			1,747,460	1,688,442
Donor development	<u>626,620</u>			<u>626,620</u>	<u>818,896</u>
Total	<u>2,374,080</u>	<u>—</u>	<u>—</u>	<u>2,374,080</u>	<u>2,507,338</u>
Total	<u>15,258,005</u>	<u>—</u>	<u>—</u>	<u>15,258,005</u>	<u>14,640,330</u>
CHANGE IN NET ASSETS	9,518,194	54,469	71,907	9,644,570	2,973,016
NET ASSETS, Beginning of year	<u>63,707,227</u>	<u>177,861</u>	<u>491,636</u>	<u>64,376,724</u>	<u>61,403,708</u>
NET ASSETS, End of year	<u>\$ 73,225,421</u>	<u>\$ 232,330</u>	<u>\$ 563,543</u>	<u>\$ 74,021,294</u>	<u>\$ 64,376,724</u>

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011 (with comparative totals for 2010)

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ 9,644,570	\$ 2,973,016
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	151,281	138,249
Realized and unrealized gains	(11,770,419)	(4,684,956)
Change in accrued interest on investments and investments restricted to endowment		26,536
Contributions restricted to endowment	(59,458)	(59,458)
Change in beneficial interest in perpetual trust	(12,449)	(4,301)
Changes in operating assets and liabilities:		
Accounts receivable, net	(130,120)	490,693
Inventory	(24,345)	2,447
Prepaid expenses and other assets	243,545	(363,413)
Accounts payable and accrued expenses	(336,493)	(1,534)
Deferred revenue	<u>461,104</u>	<u>(215,559)</u>
Net cash used in operating activities	<u>(1,832,784)</u>	<u>(1,698,280)</u>
INVESTING ACTIVITIES		
Purchases of investments	(22,281,814)	(24,964,843)
Sales of investments	24,086,674	26,108,074
Purchase of property and equipment	<u>(698,705)</u>	<u>(148,415)</u>
Net cash provided by investing activities	<u>1,106,155</u>	<u>994,816</u>
FINANCING ACTIVITIES		
Net cash provided by financing activities —		
Cash collected restricted for long-term purposes	<u>50,000</u>	<u>50,000</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(676,629)	(653,464)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,228,301</u>	<u>2,881,765</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,551,672</u>	<u>\$ 2,228,301</u>

See notes to consolidated financial statements.

UNITED STATES FIGURE SKATING ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — United States Figure Skating Association (the Association) is the national governing body for figure skating on ice in the United States, and is so recognized by the International Skating Union (ISU) and the United States Olympic Committee (USOC). The Association's mission is to provide programs to encourage participation, enjoyment and achievement in the sport of figure skating. Established in 1921, the membership includes approximately 600 member clubs and more than 190,000 registered skaters. The United States Figure Skating Association's headquarters are located in Colorado Springs, Colorado.

Recognizing that competition at every level is a principal incentive for figure skaters to train, develop and improve their proficiency, the Association sanctions official test sessions to measure progress in the various branches of the sport. It also sanctions, directly or indirectly, all official U.S. Figure Skating competitions. Member clubs throughout the United States conduct the tests and competitions. By ascending the competition ladder, competitors registered with the Association develop opportunities to gain entry to international figure skating events, among them the Olympic Winter Games and World Championships.

The World Figure Skating Museum and Hall of Fame (the Museum), an activity of the Association, honors the heritage of the sport. Serving as an international repository for the sport of figure skating, the Museum is dedicated exclusively to the collection, preservation and interpretation of the history and historical artifacts of figure skating throughout the world. The greatest names in figure skating are honored in the Hall of Fame, housed within the Museum.

Ice Network, LLC (Ice Network) is a wholly-owned subsidiary of the Association created in 2007 to hold exclusive rights to certain interactive media assets licensed to it by The United States Figure Skating Association.

20 First Street Properties (Properties) is a separate, tax exempt not-for-profit title-holding company created in 2004 solely for the purpose of owning, holding title to, and maintaining the land, buildings and improvements of the Association's headquarters.

The United States Figure Skating Foundation (the Foundation) is a separate, tax exempt not-for-profit organization established in 2000 to receive, hold, manage and invest funds transferred, conveyed or contributed to it by or for the benefit of the Association. The Foundation is governed by a separate board of directors, a majority of whom are appointed by the Association's board of directors. The board of directors of the Foundation authorizes supporting distributions to the Association.

Principles of Consolidation — The consolidated financial statements include the accounts the Association, Ice Network, Properties and the Foundation (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Cash and Cash Equivalents — The Organization considers all liquid investments with original maturities of three months or less, and which are not held for long-term investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for long-term investment purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition. The net amount of operating cash added to, or withdrawn from, our long-term investments is reported as an investing activity in the statement of cash flows.

Accounts Receivable — Accounts receivable are comprised of amounts due under contracts with event sponsors, marketing agents, licensees and broadcasters. Also included are amounts due from clubs for dues, merchandise, shortfalls of member dues, test fees or sanction fees. The Organization maintains an allowance for doubtful accounts based on expected collectability of accounts receivable. As of June 30, 2011 and 2010, the allowance for doubtful accounts was \$3,200.

Promises to Give — Unconditional promises to give expected to be collected within one year are recorded at their estimated net realizable values. Unconditional promises to give expected to be collected in more than one year are recorded at the present values of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. The Organization anticipates full collection of outstanding promises to give at June 30, 2011.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Net investment return consists of interest and dividend income, and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. See Note 2 for additional information on fair value measurements.

Financial Instruments and Credit Risk — The Organization manages deposit concentration risk by placing the cash, money market accounts with various local, regional and national financial institutions. From time to time, portions of those deposits may exceed FDIC or other insurance limits.

The Organization has placed funds with independent professional investment management firms and the United States Olympic Foundation (USOF). Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the Organization's financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

Though the market values of investments are subject to fluctuation, management and the investment committee believe that the investment policy is prudent for the long-term welfare of the Association.

Inventory — The Organization maintains program-related inventory consisting primarily of achievement pins, medals, emblems, team/logo apparel, and other supplies held for resale to clubs, members and athletes. Inventory is reported using the first-in-first-out method at the lower of cost or estimated fair value.

Prepaid Expenses and Other Assets — Prepaid expenses and other assets consist primarily of expenses paid and tickets purchased in advance of future skating events. Included in prepaid expenses and other assets at June 30, 2010 are prepaid film production costs. The Organization capitalized all direct expenses paid associated with production of the film prior to its release. The Organization amortized all such costs when the film premiered on February 17, 2011. Non-direct costs, such as advertising, were expenses as incurred.

Property and Equipment — All acquisitions of property and equipment in excess of \$1,000 are capitalized. Donated equipment is recorded at fair market value at the date of donation. Purchased equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 30 years for buildings and improvements and from 3 to 7 years for furnishings and equipment. Upon sale or disposition, the asset and its related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in the statement of activities. Costs of repairs and maintenance are charged to expense when incurred.

Historical Artifacts — The Museum's historical artifacts are capitalized at original costs, or if donated, at fair value at the date the artifacts were received.

Revenue Recognition — Contributions are recognized when an unconditional promise to give is received. Dues, publications, and other period related revenues are recognized in the period in which they relate. Admissions, activity fees, broadcasting and licensing revenues and skating-event and sponsorship revenues are included in deferred revenue and recognized when the related event or use occurs.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Functional Allocation of Expense — The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Association and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, these entities qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Properties, which has no operating activities, is exempt from federal income taxes under Section 501(c)(2). Ice Network is a disregarded entity for income tax purposes and is included and reported as a part of the Association's activities.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through October 26, 2011, the date the financial statements were available for issuance.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use 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 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in equity securities, mutual funds and exchange traded funds are priced at quoted prices in active markets. The Organization's investment in the USOF portfolio is valued at fair value using the net asset value of the portfolio provided by the USOF. Certain alternative investments within the USOF portfolio are stated at the estimated fair values of the underlying investments, based on quoted market prices and fair values as estimated by the managers of the related investments. Since a significant amount of the underlying USOF portfolio investments are Level 3 investments, the Organization's investment in this portfolio is classified as Level 3.

An investment is held in a fund of hedge funds managed by an investment management firm. The fund invests in a variety of hedge funds, including funds of hedge funds, to create a portfolio of funds having widely diversified investment strategies. The funds have varying degrees of transparency into their underlying holdings, and the investment management firm reports fair value information accumulated from the various fund managers.

The Organization may terminate its investment agreement with the USOF effective at the end of any calendar month upon the giving of at least 90 days written notice or upon shorter notice acceptable to the USOF if the USOF determines that adequate liquidity exists in the portfolio to permit early termination.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of June 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2011:				
Cash and money market funds	\$ 4,188,791	\$ 4,188,791		
Exchange traded funds:				
Domestic equity	24,202,910	24,202,910		
International equity	10,718,427	10,718,427		
Fixed income	1,625,996	1,625,996		
Real estate	2,056,655	2,056,655		
Mutual funds:				
Domestic equity	2,433,026	2,433,026		
International equity	21,282	21,282		
Fixed income	12,286,155	12,286,155		
Balanced	182,453	182,453		
Real estate	21,547	21,547		
USOF portfolio	12,386,822			\$ 12,386,822
Fund of hedge funds	<u>385,035</u>			<u>385,035</u>
Total investments	<u>\$ 70,509,099</u>	<u>\$ 57,737,242</u>	<u>\$ —</u>	<u>\$ 12,771,857</u>
Beneficial interest in charitable trust	<u>\$ 117,957</u>	<u>\$ 117,957</u>	<u>\$ —</u>	<u>\$ —</u>

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2010:				
Cash and money market funds	\$ 5,092,035	\$ 5,092,035		
Exchange traded funds:				
Domestic equity	10,788,583	10,788,583		
International equity	8,784,050	8,784,050		
Fixed income	1,843,384	1,843,384		
Real estate	1,534,602	1,534,602		
Mutual funds:				
Domestic equity	1,878,608	1,878,608		
International equity				
Fixed income	11,751,505	11,751,505		
Balanced	63,877	63,877		
Real estate				
Equity securities	7,980,113	7,980,113		
USOF portfolio	10,024,237			\$ 10,024,237
Fund of hedge funds	<u>802,546</u>	<u> </u>	<u> </u>	<u>802,546</u>
Total investments	<u>\$ 60,543,540</u>	<u>\$ 49,716,757</u>	<u>\$ —</u>	<u>\$ 10,826,783</u>
Beneficial interest in charitable trust	<u>\$ 105,508</u>	<u>\$ 10,508</u>	<u>\$ —</u>	<u>\$ —</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	Investments	Beneficial Interest in Perpetual Trust
Balance, July 1, 2009	\$ 10,206,004	\$ 101,207
Net investment return	1,137,620	4,301
Distributions	<u>(516,840)</u>	<u> </u>
Balance, June 30, 2010	10,826,784	105,508
Net investment return	2,410,986	12,449
Distributions	<u>(465,913)</u>	<u> </u>
Balance, June 30, 2011	<u>\$ 12,771,857</u>	<u>\$ 117,957</u>

Net investment income was composed of the following for the year ended June 30, 2011 and 2010:

	<u>2011</u>			<u>Total</u>	<u>2010</u> <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Dividend and interest income	\$ 1,785,591	\$ 1,141		\$ 1,786,732	\$ 1,551,617
Net realized and unrealized gains	11,748,599	11,228	\$ 10,592	11,770,419	4,684,956
Investment management and custodial fees	<u>(134,703)</u>			<u>(134,703)</u>	<u>(189,304)</u>
Total funds	<u>\$13,399,487</u>	<u>\$ 12,369</u>	<u>\$ 10,592</u>	<u>\$13,422,448</u>	<u>\$ 6,047,269</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 237,963	\$ 237,963
Buildings	2,975,576	2,565,997
Equipment	2,719,481	2,617,013
Software	<u>186,658</u>	
Total	6,119,678	5,420,973
Less accumulated depreciation	<u>4,170,834</u>	<u>4,019,553</u>
Total	<u>\$ 1,948,844</u>	<u>\$ 1,401,420</u>

4. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is the beneficiary of an irrevocable perpetual trust (the Trust) administered by a third party and receives periodic distributions of the Trust net income. Distributions of the Trust net income must be used to purchase appropriate trophies for first, second and third place winners in various figure skating events. At June 30, 2011 and 2010 the fair value of the assets held by the Trust was \$117,957 and \$105,508, respectively. Fair value in the trusts is determined primarily based on the Organization's proportionate share of the fair value of the underlying assets of the Trust. Fair value of the underlying assets is determined using quoted market prices and pricing services. During the years ended June 30, 2011 and 2010 the Organization received distributions of \$405 and \$1,201, respectively, from the Trust.

5. OPERATING LEASE

The Organization leases a printer and copying equipment under a non-cancellable operating lease agreement expiring in May 2014. The future minimum annual lease payments are as follows:

2012	\$	33,100
2013		33,100
2014		<u>27,583</u>
Total	\$	<u>93,783</u>

Lease expense for the year ended June 30, 2011 was \$46,418.

6. RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity and the beneficial interest in perpetual trust. Interest earned on permanently restricted net assets may be appropriated for expenditure in satisfaction of donor-specified purposes and in accordance with the trust agreement.

Temporarily restricted net assets are restricted by donors for particular purposes and consist of the following at June 30:

	2011	2010
Club activities	\$ 170,299	\$ 121,719
Museum operations	41,062	41,062
Skater assistance	<u>21,139</u>	<u>15,080</u>
Total	<u>\$ 232,500</u>	<u>\$ 177,861</u>

Board restricted net assets are unrestricted net assets designated by the board of directors for reserves and for the support of skaters.

7. ENDOWMENT FUNDS

The Organization's endowment consists of donor-related endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted for permanent operating endowment	<u>\$ (4,386)</u>	<u>\$ —</u>	<u>\$ 445,586</u>	<u>\$ 441,200</u>

Changes in Endowment Net Assets for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ (15,614)</u>	<u>\$ —</u>	<u>\$ 386,128</u>	<u>\$ 370,514</u>
Investment return:				
Investment income		1,141		1,141
Net appreciation (realized and unrealized)	<u>11,228</u>	<u> </u>	<u>9,458</u>	<u>20,686</u>
Total investment return	11,228	1,141	9,458	21,827
Contributions			50,000	50,000
Appropriation of endowment assets for expenditure	<u> </u>	<u>(1,141)</u>	<u> </u>	<u>(1,141)</u>
Endowment net assets, end of year	<u>\$ (4,386)</u>	<u>\$ —</u>	<u>\$ 445,586</u>	<u>\$ 441,200</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted for permanent operating endowment	<u>\$ (15,614)</u>	<u>\$ —</u>	<u>\$ 386,128</u>	<u>\$ 370,514</u>

Changes in Endowment Net Assets for the year ended June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ (27,576)</u>	<u>\$ —</u>	<u>\$ 326,670</u>	<u>\$ 299,094</u>
Investment return:				
Investment income		3,586		3,586
Net appreciation (realized and unrealized)	<u>11,962</u>		<u>9,458</u>	<u>21,420</u>
Total investment return	11,962	3,586	9,458	25,006
Contributions			50,000	50,000
Appropriation of endowment assets for expenditure		<u>(3,586)</u>		<u>(3,586)</u>
Endowment net assets, end of year	<u>\$ (15,614)</u>	<u>\$ —</u>	<u>\$ 386,128</u>	<u>\$ 370,514</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. A deficiency of \$4,386 and \$15,614 existed as of June 30, 2011 and 2010, respectively.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately the sum of 5.0% plus the consumer price in (CPI) annually. Actual returns in any given year may vary from this amount.

8. RETIREMENT PLAN

The Organization has a tax-deferred retirement plan (the Plan) pursuant to Section 403(b) covering substantially all employees. The Organization matches employees' voluntary contributions up to 4% of the employee's compensation after three months of service. Contributions are vested over three years at the rate of one-third per year. Employer matching and discretionary contributions totaled \$120,671 for the year ended June 30, 2011.

9. COMMITMENTS AND CONTINGENCIES

In the normal course of conducting events and activities, the Organization entered into a variety of contracts that may include revenue and expense sharing agreements, guarantees, limitations reimbursements arrangements, and other terms and conditions that entitle or obligates the Organization to receive income or incur expenses in future periods.

**UNITED STATES FIGURE SKATING
ASSOCIATION**

SUPPLEMENTAL INFORMATION

UNITED STATES FIGURE SKATING ASSOCIATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2011

	USFS Association	USFS Foundation	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,551,672			\$ 1,551,672
Accounts receivable, net	629,247		\$ (24,518)	604,729
Promises to give	224,254			224,254
Investments	4,776,044	\$ 65,733,055		70,509,099
Beneficial interest in perpetual trust	117,957			117,957
Inventory	128,471			128,471
Prepaid expenses and other assets	379,147			379,147
Property and equipment	1,948,844			1,948,844
Historical artifacts	<u>688,261</u>			<u>688,261</u>
TOTAL ASSETS	<u>\$ 10,443,897</u>	<u>\$ 65,733,055</u>	<u>\$ (24,518)</u>	<u>\$ 76,152,434</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 707,285	\$ 27,614	\$ (24,518)	\$ 710,381
Deferred revenue	<u>1,420,759</u>			<u>1,420,759</u>
Total liabilities	<u>2,128,044</u>	<u>27,614</u>	<u>(24,518)</u>	<u>2,131,140</u>
NET ASSETS				
Unrestricted:				
Board-designated for reserves	3,792,575	58,624,015		62,416,590
Board-designated for skaters	1,090,300	7,081,426		8,171,726
Invested in property and equipment and historical artifacts	<u>2,637,105</u>			<u>2,637,105</u>
Total unrestricted	7,519,980	65,705,441		73,225,421
Temporarily restricted	232,330			232,330
Permanently restricted	<u>563,543</u>			<u>563,543</u>
Total net assets	<u>8,315,853</u>	<u>65,705,441</u>	<u>—</u>	<u>74,021,294</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,443,897</u>	<u>\$ 65,733,055</u>	<u>\$ (24,518)</u>	<u>\$ 76,152,434</u>

UNITED STATES FIGURE SKATING ASSOCIATION

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

	USFS Association	USFS Foundation	Eliminations	Total
SUPPORT AND REVENUE				
Net investment income	\$ 449,454	\$ 12,972,994		\$ 13,422,448
Dues, admissions and activity fees	4,370,641			4,370,641
Skating events and sponsorships	2,450,407			2,450,407
Broadcasting and licensing	2,256,187			2,256,187
Contributions	2,885,628		\$ (1,659,055)	1,226,573
USOC and PSA grants	902,551			902,551
Publications	<u>273,768</u>			<u>273,768</u>
Total support and revenue	<u>13,588,636</u>	<u>12,972,994</u>	<u>(1,659,055)</u>	<u>24,902,575</u>
EXPENSES				
Program services:				
Skating events	4,890,556			4,890,556
Membership activities and services	3,621,162			3,621,162
Development and support of athletes	3,426,346			3,426,346
Governance and judging	489,644			489,644
Publications	<u>456,217</u>			<u>456,217</u>
Total program services	<u>12,883,925</u>	<u>—</u>	<u>—</u>	<u>12,883,925</u>
Supporting services:				
Management and general	1,708,453	39,007		1,747,460
Donor development	626,620			626,620
Support provided to USFS Association		<u>1,659,055</u>	<u>(1,659,055)</u>	
Total supporting services	<u>2,335,073</u>	<u>1,698,062</u>	<u>(1,659,055)</u>	<u>2,374,080</u>
Total expenses	<u>15,218,998</u>	<u>1,698,062</u>	<u>(1,659,055)</u>	<u>15,258,005</u>
Change in net assets	(1,630,362)	11,274,932	—	9,644,570
NET ASSETS, Beginning of year	<u>9,946,215</u>	<u>54,430,509</u>	<u>—</u>	<u>64,376,724</u>
NET ASSETS, End of year	<u>\$ 8,315,853</u>	<u>\$ 65,705,441</u>	<u>\$ —</u>	<u>\$ 74,021,294</u>