USA PENTATHLON, INC.

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Independent Auditor's Report

To the Board of Directors
USA Pentathlon, Inc.
Colorado Springs, Colorado

I have audited the accompanying statement of financial condition of USA Pentathlon, Inc. as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of USA Pentathlon’s management. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted the audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that this audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Pentathlon, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Charles Derian
Certified Public Accountant
December 14, 2012
USA PENTATHLON, INC.
Statement of Financial Position
December 31, 2011

Assets

Current assets:
Cash $ 118,972

Total Current Assets 118,972

Property and equipment
Office furniture and equipment 10,566
Less accumulated depreciation (7,797)

12,869

Assets held and administered by United States Olympic Foundation (USOF) 137,196

Total Assets $ 258,937

Liabilities and Net Assets

Current Liabilities:
Accounts Payable $ 17,963

Total Current Liabilities 17,963

Net assets:
Unrestricted 103,778
Temporarily restricted 137,196

240,974

Total Net Assets 240,974

Total Liabilities and Net Assets $ 258,937

The accompanying notes are an integral part of these financial statements.
USA PENTATHLON, INC.
Statement of Activities
Year ended December 31, 2011

<table>
<thead>
<tr>
<th>Support and revenue:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Olympic Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and royalties</td>
<td>$ 135,455</td>
<td>$</td>
<td>$ 135,455</td>
</tr>
<tr>
<td>Membership dues</td>
<td>838</td>
<td></td>
<td>838</td>
</tr>
<tr>
<td>Camps and training income</td>
<td>92,369</td>
<td></td>
<td>92,369</td>
</tr>
<tr>
<td>Contributions and other grants</td>
<td>127,053</td>
<td></td>
<td>127,053</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in value of assets held and administered by USOF</td>
<td>-</td>
<td>(2,604)</td>
<td>(2,604)</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>355,715</td>
<td>(2,604)</td>
<td>353,111</td>
</tr>
</tbody>
</table>

Expenses:

Program:

| Competitions                     | 106,411      |                        | 106,411 |
| National team development        | 72,861       |                        | 72,861 |
| Camps and training               | 113,454      |                        | 113,454 |
| Other Program services           | 49,677       |                        | 49,677 |
| Total program services           | 342,403      |                        | 342,403 |

General and administrative

| Fundraising                      | 46,257       |                        | 46,257 |

Total supporting services        | 46,257       |                        | 46,257 |

Total expenses                   | 388,660      |                        | 388,660 |

Change in net assets             | (32,945)     | (2,604)                | (35,549) |

Net assets, beginning of year    | 136,723      | 139,800                | 276,523 |

Net assets, end of year          | $ 103,778    | $ 137,196              | $ 240,974 |

The accompanying notes are an integral part of these financial statements.
USA PENTATHLON, INC.
Statement of Cash Flows
Year ended December 31, 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(35,549)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,522</td>
</tr>
<tr>
<td>Change in values of assets held and administered by USOF</td>
<td>2,604</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>(29,423)</strong></td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided from short term liabilities</strong></td>
<td><strong>156</strong></td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td><strong>(29,267)</strong></td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>148,239</td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td><strong>$ 118,972</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

USA Pentathlon, Inc. (the Organization) is the national governing body for the sport of modern pentathlon, making it responsible for the promotion and development of amateur pentathlon in the United States. The Organization began operations in October 2008. Members are located throughout the United States.

The Organization is committed to cultivating national and international amateur competition in the sport of modern pentathlon. Competitions, national team development, camps and training activities are utilized in pursuit of its goals.

The Organization supports male and female athletes as they compete in national and international pentathlon events. The athletes compete annually in a series of World Cup events, World Championship events, as well as National Championships and Pan Am Championships. Additionally, the athletes compete in the Pan Am Games and the Olympic Games every four years.

The sport of modern pentathlon is a combination of running, swimming, shooting, fencing, and equestrian riding. Through the team development program, the organization coaches and monitors the training of selected in the time elite pentathlon athletes that are residents of the US Olympic training Center. Additionally, this program is used to develop younger or less experienced athletes to improve the overall growth of the sport nationally.

The organization will host and send the athletes to participate in training camps that will generally focus on a specific skill. This program is used to assist athletes and their development of each specific skill set to improve their overall scoring in competition. The program’s efforts yielded positive results during the year as individual athletes improved their finish at international competitions.

Basis of accounting

The Organization maintains its accounts and the financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Under U.S. generally accepted accounting principles (GAAP), the organization is required to report 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.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of 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.

Cash and cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment is recorded at cost, or if donated, at the estimated fair value at the date of donation. Property and equipment is depreciated using the straight-line method over estimated useful lives ranging from three to eight years. The organization’s policy is to capitalize acquisitions of property and equipment in excess of $1,000, and having a useful life exceeding one year.

Contributions and grants

Contributions and grants that are restricted by the donor are reported as increased in unrestricted net assets if the restrictions expire in the year in which the contributions and grants are recognized. All other donor restricted contributions and grants are recorded as increases in temporarily or permanently restricted that assets pertaining on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

As of January 1, 2009, the Organization adopted the provisions of accounting for uncertainty in income taxes as required under GAAP. The Organization has evaluated all of its outstanding tax positions as of December 31, 2010 and determined that they meet the more-likely-than-not recognition threshold. Accordingly, the Organization has not recognized a liability, cumulative-effect adjustment, or income tax expense for any unrecognized tax benefits in the accompanying financial statements.

2. ASSETS HELD AND ADMINISTERED BY USOF

The Organization receives the beneficial use of assets invested in securities that are held and administered by the United States Olympic Foundation (the USOF) under an operating agreement. The Organization has recognized an asset equal to the present value of estimated future distributions expected to be received under the arrangement. The discount rate used is 5%. Adjustments to reflect revaluations to the present value of the estimated future payments and amortization of the discount are recognized in the statement of activities as a change in value of assets held and administered by the USOF until the Organization is recognized as a viable and fully functioning national governing board, which indicates the creation of a trust to administer these funds upon transfer. As of December 31, 2011 the total of these temporarily restricted assets was $137,196.

3. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides 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 an active market 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 under GAAP are described as follows:

Level 1    Inputs to valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
2. FAIR VALUE MEASUREMENTS (continued)

**Level 2**
Inputs to 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 and to it must be observable for substantially the full term of the asset or liability.

**Level 3**
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’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.

Following is a description of the valuation methodology used for the Organization’s assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

*Assets held and administered by USOF:* Valued using the income approach in the form of present value techniques, which is a level 3 measurement.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization 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.
3. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provided $135,455 in performance grants to the Organization for the year ended December 31, 2011.

4. RESTRICTIONS ON NET ASSETS

At December 31, 2011, temporarily restricted assets consist of assets held and administered by USOF in the amount of $137,196.

5. CASH FLOW STATEMENT DISCLOSURES

Supplemental disclosures of cash flow information

During the year ended December 31, 2011, the Organization did not pay any interest or income taxes.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2012, the date which the financial statements were available to be issued. There were no subsequent events that provided evidence about conditions that did not exist as of December 31, 2011 that required disclosure in the notes in order to keep the financial statements from being misleading. There were no material subsequent events that existed as of December 31, 2011 that were not reflected in the accompanying financial statements.