

USA Gymnastics' Financial Outlook Takes Big Hit After Nassar Scandal

By Ben Fischer, Staff Writer
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USA Gymnastics may avoid the death penalty for Olympic sports NGBs, but its financial outlook is profoundly diminished in the wake of the Larry Nassar scandal. The organization had been a commercial rocket ship until now, growing its quadrennial revenue by 32% from '09-12 to '13-16, clearing nearly \$104M in the period ending with the Rio Games as the gold medals piled up, according to published financials and tax filings. However, in the last three months, every non-endemic sponsor has left, slashing an estimated \$3-5M yearly from the budget, sources said. The organization last March paid a \$1M severance package to former CEO Steve Penny and also hired new CEO Kerry Perry at a yet-unknown salary. Numerous civil lawsuits are pending against the body in Georgia, California and Michigan, and it has already paid at least one substantial settlement, \$1.25M to Gold Medal-winner McKayla Maroney. Most of this happened during the post-Olympics year of '17, when revenue typically falls off even without the abrupt loss of nearly the entire sponsorship portfolio. That year's tax returns and audited financials have not yet been made public. Taking into account USA Gymnastics' wholly owned foundation, the organization had \$15.8M in net assets at the conclusion of '15, so bankruptcy is not an imminent possibility. However, the NGB has never run on large margins despite the revenue growth, and it appears probable that it will have to either make deep cuts or eat into its reserves while it rebuilds its BOD and pays major legal bills. USAG did not respond to request for comment.

DEPENDENT ON MEMBERSHIP: Despite high-profile sponsorships from the likes of Kellogg's and P&G, USAG's biggest financial asset is its membership, which stands at 174,000 nationally, according to its website. Those individual and corporate members all pay annual dues ranging from \$15-450 per year, and they make up the core ticket-buying audience to USAG's popular events series as well. As the women's team succeeded in the '12 London and '16 Rio Games, membership has grown more than 50% since '11. Membership revenue increased from \$8.4M in '11 to more than \$13M in '16, according to IRS forms. Unless a material number of those members take the same path sponsors did and abandon USAG, the organization will survive, said Tom Shepard, a partner at 21 Marketing and Chair of USA Pentathlon. "When you have big numbers as an NGB, it's not that difficult to generate income," Shepard said. Additionally, USAG's dominant role in organizing competitions, along with training coaches and judges, makes it difficult for athletes intent on developing their career to avoid becoming members. Only decertification -- which the USOC has threatened, but says it wants to avoid -- would change that. There are other nonprofits that organize gymnastics and could be an alternative if members leave USAG, and some club owners are worried about the impact of the USAG scandal on their own business. USAG membership terms run on an August-to-July year, so any change in membership won't be evident until then.

FIRST TESTS COME IN MARCH: The American Cup and Nastia Liukin Cup, twin gymnastics meets scheduled for the first weekend of March, could provide the first firm window into USAG's resilience -- or lack thereof -- with the grassroots. Tickets to the event, at the Sears Centre Arena in Hoffman Estates, Il., are now on sale. NBC plans a two-hour live network broadcast on March 3.