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UNITED STATES BIATHALON ASSOCIATION, INC.

June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United States Biathlon Association, Inc.  
New Gloucester, Maine

We have audited the accompanying statement of financial position of United States Biathlon Association, Inc. (a non-profit organization) as of June 30, 2007, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 2007 financial statements referred to above present fairly, in all material respects, the financial position of the United States Biathlon Association, Inc. as of June 30, 2007, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cawson, Smith, Purvis & Bassett, P.A.*

Portland, Maine  
January 7, 2008

## STATEMENT OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

## ASSETS

## CURRENT ASSETS

Accounts receivable	\$	68,280
Promises to give		5,000
Inventory		86
Prepaid expenses		23,522

TOTAL CURRENT ASSETS		<u>96,888</u>
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## PROPERTY AND EQUIPMENT

Office furniture and equipment		49,496
Vehicle		41,502
Training equipment		20,978

		<u>111,976</u>
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Less accumulated depreciation

		<u>36,039</u>
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NET PROPERTY AND EQUIPMENT		<u>75,937</u>
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## OTHER ASSETS

Security deposit		1,399
Investments		203,696

TOTAL OTHER ASSETS		<u>205,095</u>
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TOTAL ASSETS	\$	<u>377,920</u>
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## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Cash overdraft	\$	2,139
Accounts payable		3,838
Accrued expenses		6,903
Deferred revenue		82,500
Current portion of note payable		8,174
Line of credit		100,000

TOTAL CURRENT LIABILITIES		<u>203,554</u>
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NOTE PAYABLE, net of current portion

22,171

## NET ASSETS

Unrestricted		144,195
Temporarily restricted		8,000

TOTAL NET ASSETS		<u>152,195</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>377,920</u>
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See accompanying notes.

STATEMENT OF ACTIVITIES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2007

UNRESTRICTED NET ASSETS:

REVENUES, GAINS AND OTHER SUPPORT

United States Olympic Committee	\$ 901,700
Contributions	152,756
Sponsorships and marketing agreements	263,000
In-kind supplies and services	495,829
Interest and dividends	5,208
Unrealized gains on investments	19,125
Realized gain on investments	8,478
Membership dues	19,763
Fundraising income	33,449
Marketing project income	30,061
Miscellaneous income	17,077
Foreign currency gain	165
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,946,611</u>

EXPENSES

Program services:	
Team trials, training and competition	1,389,448
Development programs	131,256
Total program expenses	<u>1,520,704</u>
Support services:	
General and administrative	303,234
Marketing and development	73,923
Total support services	<u>377,157</u>
TOTAL EXPENSES	<u>1,897,861</u>

CHANGE IN UNRESTRICTED NET ASSETS 48,750

TEMPORARILY RESTRICTED NET ASSETS:

International grant	<u>8,000</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>8,000</u>

CHANGE IN NET ASSETS 56,750

Net assets at beginning of year, as restated 95,445

NET ASSETS AT END OF YEAR \$ 152,195

See accompanying notes.

STATEMENT OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 56,750
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	20,262
Realized and unrealized gains on investments	(27,603)
Changes in operating assets and liabilities:	
Accounts receivable	(52,438)
Promises to give	(5,000)
Inventory	864
Prepaid expenses	(16,572)
Cash overdraft	2,139
Accounts payable	(56,458)
Accrued expenses	6,902
Deferred revenue	20,000
Total adjustments	<u>(107,904)</u>
NET CASH USED BY OPERATING ACTIVITIES	(51,154)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	84,070
Reinvestment of interest and dividends	(5,021)
Purchase of equipment	<u>(48,798)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,251

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds on line of credit	20,963
Principal payments on note payable	<u>(11,157)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,806

NET DECREASE IN CASH (11,097)

Cash at beginning of year 11,097

CASH AT END OF YEAR \$ 0

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2007

	Team Trials, Training, and Competition	Development Programs	Total Program Services
<u>Program Services:</u>			
Salaries and wages	\$ 155,005	\$ 42,450	\$ 197,455
Payroll taxes and employee benefits	36,419	9,974	46,393
Subtotal - personnel	191,424	52,424	243,848
Travel, lodging and meals	395,887	56,818	452,705
Supplies and equipment	350,843		350,843
Contract labor	337,880	22,014	359,894
Athlete assistance	90,664		90,664
Awards	6,024		6,024
	<u>TOTAL PROGRAM SERVICES BEFORE</u>		
	1,372,722	131,256	1,503,978
Depreciation	16,726		16,726
	<u>TOTAL PROGRAM SERVICES</u>	<u>\$ 131,256</u>	<u>\$ 1,520,704</u>
	\$ 1,389,448	\$ 131,256	\$ 1,520,704
<u>Support Services:</u>			
Salaries and wages	\$ 77,596	\$ 7,500	\$ 85,096
Payroll taxes and employee benefits	18,231	1,762	19,993
Subtotal - personnel	95,827	9,262	105,089
Travel, lodging and meals	66,335	15,085	81,420
Supplies and equipment	3,662		3,662
OLN TV expenses		49,576	49,576
Miscellaneous	1,454		1,454
Insurance	31,009		31,009
Rent and utilities	30,238		30,238
Bank charges	1,108		1,108
Telephone	16,603		16,603
Legal and professional	10,184		10,184
Fundraising expense	19,535		19,535
Payroll processing	4,344		4,344
Postage and shipping	3,980		3,980
Interest expense	12,383		12,383
Dues and subscriptions	139		139
Printing and copying	1,248		1,248
Repairs and maintenance	1,649		1,649
	<u>TOTAL SUPPORT SERVICES BEFORE</u>		
	299,698	73,923	373,621
Depreciation	3,536		3,536
	<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 73,923</u>	<u>\$ 377,157</u>
	\$ 303,234	\$ 73,923	\$ 377,157

See accompanying notes.

## NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

### NOTE A--SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

United States Biathlon Association, Inc. (the Association), located in New Gloucester, Maine, was incorporated in 1980. The Association acts as the national governing body for the sport of biathlon in compliance with the Ted Stevens Olympic and Amateur Sports Act and the Constitution and Bylaws of United States Olympic Committee, and acts as the member of the International Biathlon Union (IBU) for biathlon in the United States.

In January 1993, the Association assumed the administration of the Summer Biathlon program and incorporated it as an official activity of the U.S. Biathlon Association, Inc. The accompanying financial statements include the accounts of the Winter and Summer Biathlons.

#### Financial Statement Presentation

The accompanying financial statements were prepared using the accrual basis of accounting. The Association 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. The Association did not have any permanently restricted net assets at June 30, 2007.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

#### Accounts Receivable

Accounts receivable consists of amounts due under marketing and other arrangements. The Association uses the allowance method to account for uncollectible accounts receivable. The allowance is based on management's estimate of possible bad debts. There was no allowance for doubtful accounts at June 30, 2007.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all short-term debt securities with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

NOTE A--SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments

The Association reports investments in the Statement of Financial Position at fair market value. Realized or unrealized gains and losses are reported in the Statement of Activities.

Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. In addition, it has been granted public charity status for contributions under Section 509(a) of the Internal Revenue Code.

Inventory

The Association maintains an inventory of various souvenir and gift items with the Biathlon logo, held for sale to the public. The Association also maintains supplies held for sale to athletes. Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Contributed items are carried in inventory at their fair market value at the date of the contribution.

Deferred Revenue

Income received in advance under the terms of the Association's marketing agreements is deferred. Revenue is recognized as services are provided under the terms of the agreements.

Estimates

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

Donated Services and Materials

The Association receives noncash contributions in the form of volunteers performing duties to support activities. No amount has been reflected in the statements for volunteer services as no objective basis is available to measure the value of such services.

As of June 30, 2007 the Association received the benefit of a training program paid by the Maine Winter Sports Group. The program consisted of both services and supplies and has been recorded on the Statement of Activities at actual cost as provided by Maine Winter Sports Group.

In-kind supplies donations consist of clothing, ammunition, skis, boots and poles. In-kind donations are recorded at fair market value when received.



NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

NOTE A--SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Property and Equipment

Property and equipment are stated at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value. Donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent support stipulations regarding how long these donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed by the straight-line method over the estimated useful lives.

The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments costing greater than \$500 are capitalized. Depreciation expense was \$20,262 for 2007.

NOTE B--PROMISES TO GIVE.

Promises to give consist of the following:

Unrestricted promises	\$ <u>5,000</u>
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Pledges receivable are due in:

Less than one year	\$ 5,000
One to five years	<u>-</u>
	<u>\$ 5,000</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

NOTE C--INVESTMENTS

The Winter Biathlon records all of the Association's investments. The Association is a participant in an investment pool with the United States Olympic Foundation. The total pool consists of the following:

	<u>Market</u>	<u>Cost</u>	<u>Unrealized Gain</u>
June 30, 2007	<u>\$ 286,478,707</u>	<u>\$ 259,581,246</u>	<u>\$ 26,897,461</u>

The United States Biathlon Association, Inc.'s portion of the investment pool at market value is comprised of the following at June 30, 2007:

Domestic equities	\$ 83,739
Domestic bonds	31,654
Non-traditional managers	33,936
International equities	40,597
Cash and cash equivalents	<u>13,770</u>
Total of investment pool	<u>\$ 203,696</u>

Investment return is summarized as follows for the year ended June 30, 2007:

Interest and dividend income	\$ 5,208
Realized gains on sale of investments	8,478
Unrealized gains on investments	<u>19,125</u>
	<u>\$ 32,811</u>

NOTE D--LINE OF CREDIT

The Association has a line of credit with TD Banknorth under which it may borrow up to \$100,000. The line of credit bears interest at 9.75% at June 30, 2007. Under the terms of the agreement, inventory and accounts receivable are held as collateral. The amount drawn on the line of credit at June 30, 2007 was \$100,000.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

NOTE E--LONG TERM DEBT

At June 30, 2007, long-term debt consisted of the following:

Note payable to Volkswagen in monthly installments of \$810 through December 2010, including interest at 5.875%; secured by a van.	\$ 30,345
Less: current portion	<u>8,174</u>
	<u>\$ 22,171</u>

Approximate annual maturities for the subsequent five years are as follows:

2008-\$8,174; 2009-\$8,654; 2010-\$9,162; 2011-\$4,355; 2012-\$0.

NOTE F--CONCENTRATIONS

The Association maintains its cash balances in various financial institutions located in Portland, Maine. The balances in each bank are insured by the Federal Deposit Insurance Corporation up to \$100,000. Balances in certain accounts often exceed this amount.

NOTE G--LEASES

The Association rents office space in New Gloucester, Maine from a third party under an operating lease that expires in January 2011. The agreement calls for monthly base rent of \$1,399 per month plus an allocation of common area expenses and utilities. Total rent expense was \$28,901 for 2007.

NOTE H--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Specific grant programs	<u>\$ 8,000</u>
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NOTE I--CONCENTRATION OF CREDIT RISK

The Association receives a substantial portion of its operating revenue from the United States Olympic Committee (USOC). Total revenue from the USOC was \$901,700 in 2007, which represented 46% of the Association's revenue for the year.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2007

NOTE J--SUPPLEMENTAL CASH FLOW DISCLOSURES

Noncash Investing and Financing Transactions:

Issuance of note to acquire vehicle	\$	41,502
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Interest and Income Taxes Paid:

Interest paid	\$	12,383
Income taxes paid		-

NOTE K--PRIOR PERIOD ADJUSTMENT

Net assets at June 30, 2006 have been restated to correct the accounting for pledges receivable that had been recorded and deferred revenue that had been omitted at June 30, 2006. The following table provides a reconciliation of previously reported and restated change in net assets and net assets as of June 30, 2006:

	Change In Net Assets	Net Assets
As previously reported	\$ (120,832)	\$ 1,601,102
Pledges receivable	(4,351)	(1,443,157)
Deferred revenue	(62,500)	(62,500)
As restated	<u>\$ (187,683)</u>	<u>\$ 95,445</u>