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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United States Biathlon Association, Inc. (a non-profit organization) as of June 30, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years 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 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dawson, Smith, Purvis & Bassett, P.A.

Portland, Maine
September 16, 2009

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,793	\$ 13,456
Accounts receivable	805	5,058
Inventory	1,421	459
Prepaid expenses	19,695	12,061
TOTAL CURRENT ASSETS	<u>23,714</u>	<u>31,034</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	23,231	23,231
Vehicles	74,450	74,450
Training equipment	80,389	75,988
	<u>178,070</u>	<u>173,669</u>
Less accumulated depreciation	116,361	78,223
NET PROPERTY AND EQUIPMENT	<u>61,709</u>	<u>95,446</u>
OTHER ASSETS		
Security deposit	1,399	1,399
Investments	46,244	94,826
TOTAL OTHER ASSETS	<u>47,643</u>	<u>96,225</u>
TOTAL ASSETS	<u>\$ 133,066</u>	<u>\$ 222,705</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash overdraft	\$ 2,532	\$ -
Note payable-line of credit	100,000	100,000
Accounts payable	26,244	44,700
Credit cards payable	82,927	144,291
Accrued expenses	44,553	-
Deferred revenue	72,596	62,500
Current portion of notes payable	13,927	15,001
TOTAL CURRENT LIABILITIES	<u>342,779</u>	<u>366,492</u>
NOTES PAYABLE, net of current portion	16,836	32,971
NET ASSETS		
Unrestricted	<u>(226,549)</u>	<u>(176,758)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 133,066</u>	<u>\$ 222,705</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS:		
REVENUES, GAINS AND OTHER SUPPORT		
United States Olympic Committee	\$ 944,700	\$ 856,731
International Biathlon Union	118,315	118,381
Contributions	62,858	51,904
Sponsorships and marketing agreements	338,085	337,948
In-kind supplies and services	325,148	387,960
Interest and dividends	1,127	4,338
Unrealized losses on investments	(10,445)	(29,590)
Realized (loss) gain on investments	(2,264)	20,384
Membership dues	21,560	19,051
Fundraising income	50,625	59,000
Marketing project income	-	27,930
Miscellaneous income	18,040	17,063
Foreign currency gain (loss)	3,871	(1,230)
	<u>1,871,620</u>	<u>1,869,870</u>
Net assets released from restriction	-	8,000
TOTAL REVENUES, GAINS, OTHER SUPPORT AND NET ASSETS RELEASED FROM RESTRICTION	1,871,620	1,877,870
EXPENSES		
Program services:		
Team trials, training and competition	1,287,350	1,464,276
Development programs	302,889	309,850
Total program expenses	<u>1,590,239</u>	<u>1,774,126</u>
Support services:		
General and administrative	254,643	275,725
Marketing and development	76,529	148,972
Total support services	<u>331,172</u>	<u>424,697</u>
TOTAL EXPENSES	<u>1,921,411</u>	<u>2,198,823</u>
CHANGE IN UNRESTRICTED NET ASSETS	(49,791)	(320,953)
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions		<u>(8,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	<u>(8,000)</u>
CHANGE IN NET ASSETS	(49,791)	(328,953)
Net assets at beginning of year	<u>(176,758)</u>	<u>152,195</u>
NET ASSETS AT END OF YEAR	<u>\$ (226,549)</u>	<u>\$ (176,758)</u>

Certain prior year items have been reclassified to permit comparability.
See accompanying notes.

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (49,791)	\$ (328,953)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	38,138	42,184
Realized and unrealized losses on investments	12,709	9,208
Changes in operating assets and liabilities:		
Accounts receivable	4,253	63,222
Promises to give	-	5,000
Inventory	(962)	(373)
Prepaid expenses	(7,634)	11,461
Cash overdraft	2,532	(2,139)
Accounts payable	(18,456)	40,862
Credit cards payable	(61,364)	144,291
Accrued expenses	44,553	(6,903)
Deferred revenue	10,096	(20,000)
Total adjustments	<u>23,865</u>	<u>286,813</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(25,926)</u>	<u>(42,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	37,000	104,000
Reinvestment of interest and dividends	(1,127)	(4,338)
Purchase of equipment	(4,401)	(36,743)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>31,472</u>	<u>62,919</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(17,209)	(7,323)
NET CASH USED BY FINANCING ACTIVITIES	<u>(17,209)</u>	<u>(7,323)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,663)	13,456
Cash and cash equivalents at beginning of year	<u>13,456</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,793</u>	<u>\$ 13,456</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2009 and 2008

	June 30, 2009		
<u>Program Services:</u>	<u>Team Trials, Training and Competition</u>	<u>Development Programs</u>	<u>Total Program Services</u>
Salaries and wages	\$ 37,639	203,675	\$ 241,314
Payroll taxes and employee benefits	8,694	47,046	55,740
Subtotal - personnel	<u>46,333</u>	<u>250,721</u>	<u>297,054</u>
Travel, lodging and meals	397,388	46,781	444,169
Supplies and equipment	435,768	3,276	439,044
Contract labor	248,643		248,643
Health management services and supplies	14,646		14,646
Regional support		2,111	2,111
Athlete assistance	109,025		109,025
Awards	1,366		1,366
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,253,169</u>	<u>302,889</u>	<u>1,556,058</u>
Depreciation	<u>34,181</u>		<u>34,181</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,287,350</u>	<u>\$ 302,889</u>	<u>\$ 1,590,239</u>
	<u>General and Administrative</u>	<u>Marketing and Development</u>	<u>Total Support Services</u>
<u>Support Services:</u>			
Salaries and wages	\$ 77,658	37,972	\$ 115,630
Payroll taxes and employee benefits	17,938	8,771	26,709
Subtotal - personnel	<u>95,596</u>	<u>46,743</u>	<u>142,339</u>
Travel, lodging and meals	26,679	21,159	47,838
Supplies and equipment	2,547		2,547
TV production expenses		8,627	8,627
Miscellaneous			-
Insurance	18,565		18,565
Rent and utilities	22,251		22,251
Bank charges	7,968		7,968
Telephone	16,833		16,833
Legal and professional	12,655		12,655
Fundraising expenses	19,610		19,610
Payroll processing	2,435		2,435
Postage and shipping	4,444		4,444
Interest expense	15,632		15,632
Dues and subscriptions	4,214		4,214
Printing and copying	982		982
Repairs and maintenance	275		275
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>250,686</u>	<u>76,529</u>	<u>327,215</u>
Depreciation	<u>3,957</u>		<u>3,957</u>
TOTAL SUPPORT SERVICES	<u>\$ 254,643</u>	<u>\$ 76,529</u>	<u>\$ 331,172</u>

	June 30, 2008		
<u>Program Services:</u>	<u>Team Trials, Training and Competition</u>	<u>Development Programs</u>	<u>Total Program Services</u>
Salaries and wages	\$ 32,400	\$ 180,018	\$ 212,418
Payroll taxes and employee benefits	6,223	34,577	40,800
Subtotal - personnel	<u>38,623</u>	<u>214,595</u>	<u>253,218</u>
Travel, lodging and meals	472,536	80,534	553,070
Supplies and equipment	429,452	5,820	435,272
Contract labor	340,300		340,300
Health management services and supplies	33,103		33,103
Regional support		8,901	8,901
Athlete assistance	113,700		113,700
Awards	5,332		5,332
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,433,046</u>	<u>309,850</u>	<u>1,742,896</u>
Depreciation	<u>31,230</u>		<u>31,230</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,464,276</u>	<u>\$ 309,850</u>	<u>\$ 1,774,126</u>
	<u>General and Administrative</u>	<u>Marketing and Development</u>	<u>Total Support Services</u>
<u>Support Services:</u>			
Salaries and wages	\$ 78,267	\$ 43,667	\$ 121,934
Payroll taxes and employee benefits	15,033	8,387	23,420
Subtotal - personnel	<u>93,300</u>	<u>52,054</u>	<u>145,354</u>
Travel, lodging and meals	18,807	51,704	70,511
Supplies and equipment	3,000		3,000
TV production expenses		45,214	45,214
Miscellaneous	120		120
Insurance	28,617		28,617
Rent and utilities	20,552		20,552
Bank charges	5,401		5,401
Telephone	19,289		19,289
Legal and professional	13,313		13,313
Fundraising expense	25,554		25,554
Payroll processing	6,715		6,715
Postage and shipping	5,484		5,484
Interest expense	19,000		19,000
Dues and subscriptions	5,342		5,342
Printing and copying	277		277
Repairs and maintenance			-
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>264,771</u>	<u>148,972</u>	<u>413,743</u>
Depreciation	<u>10,954</u>		<u>10,954</u>
TOTAL SUPPORT SERVICES	<u>\$ 275,725</u>	<u>\$ 148,972</u>	<u>\$ 424,697</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

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 temporarily restricted or permanently restricted net assets at June 30, 2009.

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, 2009 and 2008.

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, 2009 and 2008

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

Investments

The Association reports investments in the Statement of Financial Position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note C for discussion of fair value measurements.

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 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.

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

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

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

Property and Equipment

The Organization records property and equipment at cost, or fair market value if donated. Costs that do not significantly increase the useful life of an asset are charged to repairs and maintenance. Depreciation is computed using modified accelerated cost recovery method over the useful lives of the assets. Depreciation expense for the years ended June 30, 2009 and 2008 were \$38,138 and \$42,184, respectively.

Subsequent Events

The Organization has evaluated all subsequent events through September 16, 2009, the date the financial statements were available to be issued.

NOTE B--INVESTMENTS

The Association is a participant in an investment pool with the United States Olympic Foundation. The total pool consisted of the following as of June 30, 2009 and 2008:

	2009	2008
Market	\$ 197,170,656	\$ 264,103,510
Cost	241,705,028	346,515,748
Unrealized loss	(44,534,372)	(82,412,238)

The United States Biathlon Association, Inc.'s portion of the investment pool at market value is comprised of the following at June 30, 2009 and 2008:

	2009	2008
Domestic equities	\$ 13,314	\$ 29,093
Domestic bonds	6,849	12,062
Non-traditional managers	13,304	26,343
International equities	8,555	19,193
Cash and cash equivalents	4,208	8,051
Convertibles	14	84
Total of investment pool	<u>\$ 46,244</u>	<u>\$ 94,826</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

NOTE B--INVESTMENTS--Continued

Investment return is summarized as follows for the year ended June 30, 2009 and 2008:

	2009	2008
Interest and dividend income	\$ 1,127	\$ 4,337
Realized (losses) gains on sale of investments	(2,264)	20,384
Unrealized losses on investments	(10,445)	(29,592)
	<u>\$ (11,582)</u>	<u>\$ (4,871)</u>

NOTE C--FAIR VALUE MEASUREMENTS

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides 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 assets or liabilities (level 3 measurements). The three levels of the fair value measurements under FASB Statement No. 157 are described as

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 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 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 methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

Interest in investment pool with the United States Olympic Foundation: Valued based on the Association's ownership percentage of the investment pool, which holds various types of investments.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

NOTE C--FAIR VALUE MEASUREMENTS--Continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the

The following table sets forth by level, within fair value hierarchy, the plan's assets at fair value as of June 30, 2009;

	Assets at Fair Value as of June 30, 2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	<u>\$ -</u>	<u>\$ 46,244</u>	<u>\$ -</u>	<u>\$ 46,244</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 4.75% at June 30, 2009. 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, 2009 and 2008 was \$100,000.

NOTE E--LONG TERM DEBT

At June 30, 2009 and 2008, long-term debt consisted of the following:

	<u>2009</u>	<u>2008</u>
Note payable to Volkswagen in monthly installments of \$937 through December 2010, including interest at 5.875%; secured by a van.	\$ 14,335	\$ 26,936
Note payable to Chase Auto Finance in monthly installments of \$499 through August 2012, including interest at 7.39%; secured by a car.	16,428	21,036
	<u>30,763</u>	<u>47,972</u>
Less: current portion	<u>13,927</u>	<u>15,001</u>
	<u>\$ 16,836</u>	<u>\$ 32,971</u>

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

2010-\$13,927; 2011-\$10,193; 2012-\$5,681; 2013-\$962; 2014-\$0

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2009 and 2008

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 \$250,000. Balances in certain accounts sometimes 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 for 2009 and 2008 was \$22,251 and \$20,552, respectively.

The following is a schedule of future minimum lease payments required under the above operating lease agreement as of June 30, 2009:

Year Ending June 30		
2010	\$	18,613
2011		9,443
Thereafter		-
	\$	<u>28,056</u>

NOTE H--CONCENTRATIONS

The Association receives a substantial portion of its operating revenue from the United States Olympic Committee (USOC). Total revenue from the USOC in 2009 and 2008 was \$944,700 and \$856,731, respectively, which represented 50% and 46%, respectively of the Association's revenue for each year.

NOTE I--SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2009</u>	<u>2008</u>
<u>Noncash Investing and Financing Transactions:</u>		
Issuance of note to acquire vehicle	\$ -	\$ 24,950
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 15,632	\$ 19,000
Income taxes paid	-	-