

CONTENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011

Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Statements of Functional Expenses.....	5
Notes to Financial Statements.....	7

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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, 2011 and 2010, 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, 2011 and 2010, 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 29, 2011

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 60,004	\$ 1,961
Accounts receivable	32,579	28,904
Promises to give	6,241	-
Inventory	35,643	2,827
Prepaid expenses	<u>31,172</u>	<u>62,981</u>
TOTAL CURRENT ASSETS	165,639	96,673
PROPERTY AND EQUIPMENT		
Office furniture and equipment	30,589	28,659
Vehicles	74,450	74,450
Training equipment	<u>156,097</u>	<u>109,046</u>
	261,136	212,155
Less accumulated depreciation	<u>185,780</u>	<u>146,473</u>
NET PROPERTY AND EQUIPMENT	<u>75,356</u>	<u>65,682</u>
OTHER ASSETS		
Security deposit	1,399	1,399
Investments	<u>63,928</u>	<u>51,734</u>
TOTAL OTHER ASSETS	<u>65,327</u>	<u>53,133</u>
TOTAL ASSETS	<u>\$ 306,322</u>	<u>\$ 215,488</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable-line of credit	\$ 99,909	\$ 100,000
Accounts payable	91,107	144,247
Credit cards payable	146,189	88,914
Accrued expenses	-	39,277
Deferred revenue	125,273	62,773
Due to related party	60,000	-
Advance from Maine Winter Sports Center	-	55,000
Advance from United States Olympic Committee	299,500	75,000
Current portion of notes payable	<u>6,212</u>	<u>10,280</u>
TOTAL CURRENT LIABILITIES	828,190	575,491
NOTES PAYABLE, net of current portion	-	6,212
ADVANCE FROM UNITED STATES OLYMPIC COMMITTEE, net of current portion	-	74,500
(DEFICIENCY) IN NET ASSETS		
Unrestricted	(528,109)	(440,715)
Temporarily restricted	<u>6,241</u>	<u>-</u>
	<u>(521,868)</u>	<u>(440,715)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 306,322</u>	<u>\$ 215,488</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2011 and 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
United States Olympic Committee	\$ 1,352,800	\$ -	\$ 1,352,800	\$ 1,063,672
International Biathlon Union	230,000		230,000	127,889
Contributions	75,324	6,241	81,565	86,026
Sponsorships and marketing agreements	328,821		328,821	403,069
United States Biathlon Foundation	65,000		65,000	-
In-kind supplies and services	534,679		534,679	583,532
Interest and dividends	970		970	999
Unrealized gains on investments	9,071		9,071	7,540
Realized gains (losses) on sale of investments	2,153		2,153	(3,049)
Membership dues	29,555		29,555	25,229
Fundraising income	51,063		51,063	48,272
Vancouver Hospitality Program	-		-	50,304
Miscellaneous income	8,296		8,296	8,146
Foreign currency gain (loss)	514		514	(2,857)
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>2,688,246</b>	<b>6,241</b>	<b>2,694,487</b>	<b>2,398,772</b>
<b>EXPENSES</b>				
Program services:				
Team trials, training and competition	1,819,681		1,819,681	1,736,348
Development programs	499,480		499,480	397,343
<b>Total program expenses</b>	<b>2,319,161</b>	<b>-</b>	<b>2,319,161</b>	<b>2,133,691</b>
Support services:				
General and administrative	288,397		288,397	272,770
Marketing and development	168,082		168,082	206,477
<b>Total support services</b>	<b>456,479</b>	<b>-</b>	<b>456,479</b>	<b>479,247</b>
<b>TOTAL EXPENSES</b>	<b>2,775,640</b>	<b>-</b>	<b>2,775,640</b>	<b>2,612,938</b>
<b>CHANGE IN NET ASSETS</b>	<b>(87,394)</b>	<b>6,241</b>	<b>(81,153)</b>	<b>(214,166)</b>
Deficiency in net assets at beginning of year	(440,715)	-	(440,715)	(226,549)
<b>DEFICIENCY) IN NET ASSETS AT END OF YEAR</b>	<b>\$ (528,109)</b>	<b>\$ 6,241</b>	<b>\$ (521,868)</b>	<b>\$ (440,715)</b>

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

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (81,153)	\$ (214,166)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	39,307	30,112
Realized and unrealized gain on investments	(11,224)	(4,491)
Changes in operating assets and liabilities:		
Accounts receivable	(3,675)	(28,099)
Promises to give	(6,241)	-
Inventory	(32,816)	(1,406)
Prepaid expenses	31,809	(43,286)
Cash overdraft	-	(2,532)
Accounts payable	(53,140)	118,003
Credit cards payable	57,275	5,987
Accrued expenses	(39,277)	(5,276)
Deferred revenue	62,500	(9,823)
Total adjustments	<u>44,518</u>	<u>59,189</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(36,635)</u>	<u>(154,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of interest and dividends	(970)	(999)
Purchase of property and equipment	(48,981)	(34,085)
NET CASH USED BY INVESTING ACTIVITIES	<u>(49,951)</u>	<u>(35,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable-line of credit	(99,591)	-
Proceeds from advances on note payable-line of credit	99,500	-
Principal payments on notes payable	(10,280)	(14,271)
Advance from related party	60,000	-
Repayment of advance from Maine Winter Sports Center	(55,000)	55,000
Net advances from United States Olympic Committee	150,000	149,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>144,629</u>	<u>190,229</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,043	168
Cash and cash equivalents, beginning of year	<u>1,961</u>	<u>1,793</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 60,004</u>	<u>\$ 1,961</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2011 and 2010

	June 30, 2011		
	Team Trials, Training and Competition	Development Programs	Total Program Services
<u>Program Services:</u>			
Salaries and wages	\$ 120,556	183,148	\$ 303,704
Payroll taxes and employee benefits	20,639	47,098	67,737
Subtotal - personnel	141,195	230,246	371,441
Travel, lodging and meals	464,741	211,451	676,192
Supplies and equipment	643,185	758	643,943
Contract labor	356,396	55,514	411,910
Health management services and supplies	26,980		26,980
Regional support		1,511	1,511
Athlete assistance	150,300		150,300
Awards	1,782		1,782
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	1,784,579	499,480	2,284,059
Depreciation	35,102		35,102
TOTAL PROGRAM SERVICES	<u>\$ 1,819,681</u>	<u>\$ 499,480</u>	<u>\$ 2,319,161</u>
<u>Support Services:</u>			
	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 98,520	36,390	\$ 134,910
Payroll taxes and employee benefits	25,335	9,358	34,693
Subtotal - personnel	123,855	45,748	169,603
Travel, lodging and meals	18,387	26,451	44,838
Media expenses		37,401	37,401
Miscellaneous	2,711		2,711
Insurance	27,757		27,757
Rent and utilities	22,310		22,310
Bank charges	6,914		6,914
Telephone	17,570		17,570
Legal and professional	25,717		25,717
Fundraising expenses		58,482	58,482
Payroll processing	1,564		1,564
Postage and shipping	3,864		3,864
Interest expense	30,802		30,802
Dues and subscriptions	1,761		1,761
Printing and copying	663		663
Repairs and maintenance	317		317
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	284,192	168,082	452,274
Depreciation	4,205		4,205
TOTAL SUPPORT SERVICES	<u>\$ 288,397</u>	<u>\$ 168,082</u>	<u>\$ 456,479</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2011 and 2010

	June 30, 2010		
	Team Trials, Training and Competition	Development Programs	Total Program Services
<u>Program Services:</u>			
Salaries and wages	\$ 33,197	210,243	\$ 243,440
Payroll taxes and employee benefits	8,493	53,791	62,284
Subtotal - personnel	41,690	264,034	305,724
Travel, lodging and meals	450,290	101,589	551,879
Supplies and equipment	723,253	7,370	730,623
Contract labor	329,274	22,150	351,424
Health management services and supplies	25,689		25,689
Regional support		2,200	2,200
Athlete assistance	131,550		131,550
Awards	7,957		7,957
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	1,709,703	397,343	2,107,046
Depreciation	26,645		26,645
TOTAL PROGRAM SERVICES	<u>\$ 1,736,348</u>	<u>\$ 397,343</u>	<u>\$ 2,133,691</u>
<u>Support Services:</u>			
	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 79,864	35,126	\$ 114,990
Payroll taxes and employee benefits	20,433	8,987	29,420
Subtotal - personnel	100,297	44,113	144,410
Travel, lodging and meals	17,875	34,577	52,452
Media expenses		26,872	26,872
Miscellaneous	6,678		6,678
Insurance	27,156		27,156
Rent and utilities	23,816		23,816
Bank charges	7,750		7,750
Telephone	13,155		13,155
Legal and professional	39,501		39,501
Fundraising expenses		20,180	20,180
Vancouver Hospitality Program		80,735	80,735
Payroll processing	1,629		1,629
Postage and shipping	8,142		8,142
Interest expense	17,194		17,194
Dues and subscriptions	4,561		4,561
Printing and copying	478		478
Repairs and maintenance	1,071		1,071
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	269,303	206,477	475,780
Depreciation	3,467		3,467
TOTAL SUPPORT SERVICES	<u>\$ 272,770</u>	<u>\$ 206,477</u>	<u>\$ 479,247</u>

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

## NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

### 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, 2011.

#### 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, 2011 and 2010.

#### 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, 2011 and 2010

#### 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 and unrealized gains and losses are reported in the Statement of Activities.

##### Income Taxes

The Association qualifies as a tax-exempt Association 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.

The Association's policy is to record interest expense and penalties assessed by taxing authorities in general and administrative expenses. For years ended June 30, 2011 and 2010, there was no interest or penalties expense recorded and no accrued interest and penalties.

The Association's federal and state tax returns are open for examination for the years ended June 30, 2011, 2010, and 2009.

##### 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.

##### In-Kind Services and Materials

The Association receives ammunition, clothing, ski equipment, and other products in exchange for marketing rights with certain vendors. The Association also receives some legal services on a pro-bono basis. The value of these in-kind products and services are recorded at the estimated value at which the Association would have paid for those items.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

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

Promises to Give

Promises to give are recorded when the donor makes a promise to give to the Association. Promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Significant promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. All promises to give are receivable in less than one year.

Property and Equipment

The Association 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, 2011 and 2010 were \$39,307 and \$30,112 respectively.

Subsequent Events

The Association has evaluated all subsequent events through September 29, 2011, 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 United States Biathlon Association, Inc.'s portion of the investment pool at market value is comprised of the following at June 30, 2011 and 2010:

	2011	2010
Domestic equities	\$ 15,662	\$ 14,636
Domestic bonds	8,758	7,600
Non-traditional managers	13,425	18,453
International equities	15,535	9,178
Cash and cash equivalents	767	1,567
Convertibles	-	300
Real assets	9,781	-
	<u>\$ 63,928</u>	<u>\$ 51,734</u>
Total of investment pool		

Investment return is summarized as follows for the year ended June 30, 2011 and 2010:

	2011	2010
Interest and dividend income	\$ 970	\$ 999
Realized gains (losses) on sale of investments	2,153	(3,049)
Unrealized gains on investments	9,071	7,540
	<u>\$ 12,194</u>	<u>\$ 5,490</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

NOTE C--FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the 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 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 ASC 820 are described as follows:

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

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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.

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

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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, 2011 and 2010.

*Interest in investment pool with the United States Olympic Foundation* : Valued based on the Association's ownership percentage of the underlying assets held by the Foundation.

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 Association 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 reporting date.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

NOTE C--FAIR VALUE MEASUREMENTS--Continued

The following table sets forth by level, within fair value hierarchy, the plan's assets at fair value as of June 30, 2011 and 2010:

Assets at Fair Value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	<u>\$ -</u>	<u>\$ 63,928</u>	<u>\$ -</u>	<u>\$ 63,928</u>

Assets at Fair Value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	<u>\$ -</u>	<u>\$ 51,734</u>	<u>\$ -</u>	<u>\$ 51,734</u>

NOTE D--LINE OF CREDIT

The Association has a line of credit with TD Bank under which it may borrow up to \$100,000. The line of credit bears interest at 4.75% at June 30, 2011. 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, 2011 and 2010 was \$99,909 and \$100,000, respectively.

NOTE E--DUE TO RELATED PARTY

In January 2011, an individual charged with governance within the Association loaned \$60,000 as a short term note with an annual interest rate of 2.74%. The loan, including interest of \$891, was paid in July 2011.

Approximately \$52,000 of accounts payable at June 30, 2011 was also due to the same individual charged with governance within the Association.

NOTE F--LONG TERM DEBT

At June 30, 2011 and 2010, long-term debt consisted of the following:

	<u>2011</u>	<u>2010</u>
Note payable to Volkswagen in monthly installments of \$937 through December 2010, including interest at 5.875%; secured by a van.	\$ -	\$ 4,971
Note payable to Chase Auto Finance in monthly installments of \$499 through August 2012, including interest at 7.39%; secured by a car.	<u>6,212</u>	<u>11,521</u>
	6,212	16,492
Less: current portion	<u>6,212</u>	<u>10,280</u>
	<u>\$ -</u>	<u>\$ 6,212</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

NOTE G--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.

The Association receives a substantial portion of its operating revenue from the United States Olympic Committee (USOC). Total revenue from the USOC in 2011 and 2010 was \$1,352,800 and \$1,063,672, respectively, which represented 51% and 44%, respectively of the Association's revenue for each year.

NOTE H--LEASES

The Association rents office space in New Gloucester, Maine from a third party under an operating lease. The lease expired in January 2011 and was renewed through January 2016. The agreement calls for monthly base rent of \$1,622 per month plus an allocation of common area expenses and utilities. Total rent expense for 2011 and 2010 was \$22,310 and \$23,816, respectively.

The company also leases two vehicles under operating leases expiring in June 2013 and August 2013.

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2011:

Year-ending June 30, 2012	\$	32,809
Year-ending June 30, 2013		32,239
Year-ending June 30, 2014		20,788
Year-ending June 30, 2015		20,048
Year-ending June 30, 2016		11,694
Thereafter		-

NOTE I--SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2011</u>	<u>2010</u>
<u>Noncash Investing and Financing Transactions:</u>		
Issuance of note to acquire vehicle	<u>\$ -</u>	<u>\$ 24,950</u>
<u>Interest and Income Taxes Paid:</u>		
Interest paid	<u>\$ 30,802</u>	<u>\$ 15,632</u>

NOTE J--SUBSEQUENT EVENTS

In July 2011, the Association received a \$300,000 loan from the United States Olympic Committee. The note is payable in five annual installments, including interest at 3.5% in years one and two, and at 4.5%, 5.5% and 6.5% in years three, four, and five, respectively.

In September 2011, the Association was awarded a \$300,000 grant from the Libra Foundation, which will be received in three annual installments of \$100,000. The first installment was received in September 2011.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2011 and 2010

NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Association's financial instruments approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.

NOTE L--OPERATING DEFICITS AND DEFICIENCY IN WORKING CAPITAL

As shown in the accompanying financial statements, the Association incurred operating losses of approximately \$81,000 and \$214,000 for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 the Association's current liabilities exceeded its current assets by approximately \$662,500 and its total liabilities exceeded total assets by approximately \$522,000.

Management has taken affirmative steps to address these concerns. In July 2011, the Association received a \$300,000 loan from United States Olympic Committee to assist with their high interest debt. Subsequently, the Association was awarded a \$300,000 grant from the Libra Foundation with the specific purpose of repaying the United States Olympic Committee note.

The note payable and corresponding grant have alleviated concerns about the Association's ability to continue as a going concern.