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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2013

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Richard B. Dawson, CPA  
David E. Smith, CPA  
Eric A. Purvis, CPA/ABV, MST, CVA  
Joel H. Bassett, CPA/PFS, CMA, CIA  
Kirk J. Purvis, CPA, CFE

William H. Souter, CPA, MST  
Craig M. Pike, CPA  
Adam P. Johnson, CPA  
Patricia S. Hodgdon, CPA  
Jeremy S. Handlon, CPA  
Michael P. Kelly, CPA  
Ryan W. Dawson, CPA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of United States Biathlon Association, Inc. (a non-profit organization) which comprise the statements of financial position, as of June 30, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Biathlon Association, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

December 9, 2013

Portland, Maine

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STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2013

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 47,299	\$ 18,773
Accounts receivable	18,846	18,581
Promises to give, net of an unamortized discount of \$0 and \$3,206 at June 30, 2013 and 2012, respectively	100,000	266,794
Inventory	9,565	33,703
Prepaid expenses	29,721	65,354
TOTAL CURRENT ASSETS	<u>205,431</u>	<u>403,205</u>
<b>PROPERTY AND EQUIPMENT</b>		
Office furniture and equipment	33,335	32,348
Vehicles	74,450	74,450
Training equipment	192,895	173,324
	<u>300,680</u>	<u>280,122</u>
Less accumulated depreciation	253,345	225,712
NET PROPERTY AND EQUIPMENT	<u>47,335</u>	<u>54,410</u>
<b>OTHER ASSETS</b>		
Security deposit	2,649	1,399
Investments	34,528	62,734
TOTAL OTHER ASSETS	<u>37,177</u>	<u>64,133</u>
TOTAL ASSETS	<u>\$ 289,943</u>	<u>\$ 521,748</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Note payable-line of credit	\$ 99,895	\$ 99,895
Accounts payable	99,863	87,468
Credit cards payable	141,018	175,136
Accrued interest payable	16,037	-
Deferred revenue	217,180	243,750
Advance from Maine Winter Sports Center	20,000	35,000
Advance from Libra Foundation	-	50,000
Current portion of long-term debt	100,000	30,424
TOTAL CURRENT LIABILITIES	<u>693,993</u>	<u>721,673</u>
LONG-TERM DEBT, net of current portion	<u>100,000</u>	<u>175,000</u>
<b>DEFICIENCY IN NET ASSETS</b>		
Unrestricted	(657,228)	(582,409)
Temporarily restricted	153,178	207,484
	<u>(504,050)</u>	<u>(374,925)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 289,943</u>	<u>\$ 521,748</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Support		
Contributions	\$ 67,415	\$ 177,482
In-kind supplies and services	327,818	323,109
Revenue		
United States Olympic Committee	1,100,070	988,247
International Biathlon Union	185,397	217,574
Sponsorships and marketing agreements	331,804	392,756
United States Biathlon Foundation	86,618	145,370
Membership dues	32,343	33,090
Fundraising income	99,879	16,446
Program fees and other revenue	31,240	17,448
Interest and dividends	565	1,093
Unrealized gains (losses) on investments	3,219	(2,647)
Realized gains on sale of investments	2,198	360
Foreign currency loss	<u>(2,332)</u>	<u>(3,627)</u>
	2,266,234	2,306,701
Net assets released from restriction	<u>117,484</u>	<u>6,241</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTION	<u>2,383,718</u>	<u>2,312,942</u>
Expenses		
Program services:		
Team trials, training and competition	1,719,484	1,612,099
Development programs	<u>371,972</u>	<u>366,588</u>
Total program expenses	<u>2,091,456</u>	<u>1,978,687</u>
Support services:		
General and administrative	271,170	270,581
Marketing and development	<u>95,911</u>	<u>117,974</u>
Total support services	<u>367,081</u>	<u>388,555</u>
TOTAL EXPENSES	<u>2,458,537</u>	<u>2,367,242</u>
DECREASE IN UNRESTRICTED NET ASSETS	(74,819)	(54,300)
TEMPORARILY RESTRICTED NET ASSETS:		
International Biathlon Union	9,178	8,690
Contributions	54,000	196,794
United States Biathlon Foundation	-	2,000
Net assets released from restriction	<u>(117,484)</u>	<u>(6,241)</u>
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(54,306)</u>	<u>201,243</u>
CHANGE IN NET ASSETS	(129,125)	146,943
Deficiency in net assets, beginning of year	<u>(374,925)</u>	<u>(521,868)</u>
DEFICIENCY IN NET ASSETS, END OF YEAR	<u>\$ (504,050)</u>	<u>\$ (374,925)</u>

## STATEMENTS OF CASH FLOWS

### UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (129,125)	\$ 146,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,872	39,932
Realized and unrealized losses (gains) on investments	(5,417)	2,287
Changes in operating assets and liabilities:		
Accounts receivable	(265)	(2)
Promises to give	166,794	(246,553)
Inventory	24,138	1,940
Prepaid expenses	35,633	(34,182)
Security deposit	(1,250)	-
Accounts payable	12,395	(3,639)
Credit cards payable	(34,118)	28,947
Accrued interest payable	16,037	-
Deferred revenue	(26,570)	118,477
Total adjustments	<u>216,249</u>	<u>(92,793)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	87,124	54,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(21,797)	(18,986)
Reinvestment of interest and dividends	(565)	(1,093)
Proceeds from sale of investments	<u>34,188</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>11,826</u>	<u>(20,079)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable-line of credit	-	(99,514)
Proceeds from advances on note payable-line of credit	-	99,500
Principal payments on notes payable	(5,424)	(100,788)
Proceeds from note payable	-	300,000
Net payments to related party	-	(60,000)
Net (payments to) advances from Libra Foundation	(50,000)	50,000
Net (payments to) advances from Maine Winter Sports Center	(15,000)	35,000
Net payments to United States Olympic Committee	-	(299,500)
NET CASH USED BY FINANCING ACTIVITIES	<u>(70,424)</u>	<u>(75,302)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,526	(41,231)
Cash and cash equivalents, beginning of year	<u>18,773</u>	<u>60,004</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,299</u>	<u>\$ 18,773</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

<u>Program Services:</u>	Team Trials, Training and Competition	Development Programs	Total Program Services
Salaries and wages	\$ 129,089	\$ 189,879	\$ 318,968
Payroll taxes and employee benefits	36,502	53,692	90,194
Subtotal - personnel	<u>165,591</u>	<u>243,571</u>	<u>409,162</u>
Travel, lodging and meals	429,558	59,311	488,869
Supplies and equipment	502,799	15,340	518,139
Contract labor	375,931	53,750	429,681
Health management services and supplies	33,849		33,849
Athlete assistance	184,125		184,125
Awards	2,346		2,346
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,694,199</u>	<u>371,972</u>	<u>2,066,171</u>
Depreciation	<u>25,285</u>		<u>25,285</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,719,484</u>	<u>\$ 371,972</u>	<u>\$ 2,091,456</u>
<u>Support Services:</u>	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 57,040	\$ 36,725	\$ 93,765
Payroll taxes and employee benefits	16,129	10,385	26,514
Subtotal - personnel	<u>73,169</u>	<u>47,110</u>	<u>120,279</u>
Travel, lodging and meals	14,017	4,176	18,193
Media expenses		3,247	3,247
Miscellaneous	4,801		4,801
Insurance	35,624		35,624
Rent and utilities	24,392		24,392
Bank charges	9,074		9,074
Telephone	13,040		13,040
Legal and professional	40,211		40,211
Fundraising expenses		41,378	41,378
Payroll processing	1,563		1,563
Postage and shipping	4,094		4,094
Interest expense	39,771		39,771
Dues and subscriptions	3,343		3,343
Printing and copying	870		870
Repairs and maintenance	3,614		3,614
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>267,583</u>	<u>95,911</u>	<u>363,494</u>
Depreciation	<u>3,587</u>		<u>3,587</u>
TOTAL SUPPORT SERVICES	<u>\$ 271,170</u>	<u>\$ 95,911</u>	<u>\$ 367,081</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2012

<u>Program Services:</u>	Team Trials, Training and Competition	Development Programs	Total Program Services
Salaries and wages	\$ 136,559	\$ 188,148	\$ 324,707
Payroll taxes and employee benefits	37,456	51,606	89,062
Subtotal - personnel	<u>174,015</u>	<u>239,754</u>	<u>413,769</u>
Travel, lodging and meals	406,848	59,554	466,402
Supplies and equipment	459,391	17,280	476,671
Contract labor	382,996	50,000	432,996
Health management services and supplies	24,397		24,397
Athlete assistance	124,997		124,997
Awards	3,435		3,435
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,576,079</u>	<u>366,588</u>	<u>1,942,667</u>
Depreciation	<u>36,020</u>		<u>36,020</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,612,099</u>	<u>\$ 366,588</u>	<u>\$ 1,978,687</u>
<u>Support Services:</u>	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 76,700	\$ 36,390	\$ 113,090
Payroll taxes and employee benefits	21,037	9,981	31,018
Subtotal - personnel	<u>97,737</u>	<u>46,371</u>	<u>144,108</u>
Travel, lodging and meals	16,598	6,924	23,522
Media expenses		24,814	24,814
Miscellaneous	4,202		4,202
Insurance	28,842		28,842
Rent and utilities	24,544		24,544
Bank charges	11,417		11,417
Telephone	15,139		15,139
Legal and professional	24,368		24,368
Fundraising expenses		39,865	39,865
Payroll processing	1,523		1,523
Postage and shipping	3,947		3,947
Interest expense	32,654		32,654
Dues and subscriptions	1,538		1,538
Printing and copying	210		210
Repairs and maintenance	3,950		3,950
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>266,669</u>	<u>117,974</u>	<u>384,643</u>
Depreciation	<u>3,912</u>		<u>3,912</u>
TOTAL SUPPORT SERVICES	<u>\$ 270,581</u>	<u>\$ 117,974</u>	<u>\$ 388,555</u>

## NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

### NOTE A—SUMMARY OF 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.

#### Basis of Accounting

The Association's 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, 2013 and 2012.

#### 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.

#### Use of 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.

#### Accounts Receivable

Accounts receivable consists of amounts due under marketing and other arrangements. Accounts receivable is recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts.

Accounts are considered past due once the unpaid balance is 60 days or more outstanding, unless payment terms are extended by contract. When an account is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off to bad debt expense.

The Association does not charge interest on balances considered past due.

At June 30, 2013, the Association had no customer balances that exceed 60 days old.

At June 30, 2013, accounts receivable had net balances in the amount of \$18,846, net of an allowance for bad debts of \$0. The entire amount of accounts receivable is pledged as collateral for the Association's line of credit.

#### 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 Statements of Activities and Changes in Net Assets.



NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 tax related interest expense and penalties assessed by taxing authorities in general and administrative expenses. For years ended June 30, 2013 and 2012, there was no tax related interest or penalties expense recorded and no accrued interest and penalties.

The Association believes it has no material uncertain tax positions and, accordingly, does not recognize any liability for unrecognized tax benefits.

The Association's federal and state tax returns are open for examination for the years ended June 30, 2013, 2012, and 2011.

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 contract agreements is deferred. Revenue is recognized as services are provided under the terms of the agreements.

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.

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, 2013 and 2012 were \$28,872 and \$39,932, respectively.

Subsequent Events

The Association has evaluated all subsequent events through December 9, 2013, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reclassification

Certain amounts within the 2012 financial statements have been reclassified to permit comparability.

NOTE B—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.

Promises to give consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unrestricted promises	\$ 50,000	\$ 68,000
Temporarily restricted promises	<u>50,000</u>	<u>198,794</u>
	<u>\$ 100,000</u>	<u>\$ 266,794</u>
Promises are due in:		
Less than one year	\$ 100,000	\$ 170,000
One to five years	<u>-</u>	<u>96,794</u>
	<u>\$ 100,000</u>	<u>\$ 266,794</u>

At June 30, 2013 and 2012, promises to give were net of unamortized discount of \$0 and \$3,206, respectively.

NOTE C—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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Domestic equities	\$ 9,668	\$ 15,433
Domestic bonds	4,420	9,347
Non-traditional managers	7,078	13,927
International equities	8,148	14,115
Cash and cash equivalents	276	753
Real assets	<u>4,938</u>	<u>9,159</u>
Total of investment pool	<u>\$ 34,528</u>	<u>\$ 62,734</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE C—INVESTMENTS--Continued

Investment return is summarized as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Interest and dividend income	\$ 565	\$ 1,093
Unrealized gains (losses) on sale of investments	3,219	(2,647)
Realized gains on sale of investments	2,198	360
	<u>\$ 5,982</u>	<u>\$ (1,194)</u>

NOTE D—FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, provides 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 ASC 820-10 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the Association has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data correlation or other means.</li> </ul> <p>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.</p>
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, 2013 and 2012.

*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.

*Promises to give from Libra Foundation:* Value based on the risk-adjusted discount rate of 2.61% equal to the U.S. Treasury long-term rate as of June 30, 2012.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE D—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 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.

The following table sets forth by level, within fair value hierarchy, the Association's assets at fair value as of June 30, 2013 and 2012:

Assets at Fair Value as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 34,528	\$ -	\$ 34,528
Promises to give		<u>100,000</u>		<u>100,000</u>
	<u>\$ -</u>	<u>\$ 134,528</u>	<u>\$ -</u>	<u>\$ 134,528</u>

Assets at Fair Value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 62,734	\$ -	\$ 62,734
Promises to give		<u>266,794</u>		<u>266,794</u>
	<u>\$ -</u>	<u>\$ 329,528</u>	<u>\$ -</u>	<u>\$ 329,528</u>

NOTE E—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, 2013. 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, 2013 and 2012 was \$99,895, respectively.

NOTE F—DUE TO RELATED PARTY

Approximately \$38,000 of accounts payable at June 30, 2013 and 2012, respectively, was due to an individual charged with governance within the Association.

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 2013 and 2012 was \$1,100,070 and \$988,247, respectively, which represented 47% and 40%, respectively of the Association's revenue for each year.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE H—LONG-TERM DEBT

At June 30, 2013 and 2012, long-term debt consisted of the following:

	<u>2013</u>	<u>2012</u>
Note payable to Chase Auto Finance in monthly installments of \$499 through August 2012, including interest at 7.39%; secured by an automobile.	\$ -	\$ 963
Note payable to United States Olympic Committee with annual installments of \$75,000 plus accrued interest through June 2015, followed by a \$25,000 installment plus accrued interest in December 2015. The note bears interest at 3.5%, increasing by 1.0% annually through December 2015.	<u>200,000</u>	<u>204,461</u>
	200,000	205,424
Less: current portion	<u>100,000</u>	<u>30,424</u>
	<u>\$ 100,000</u>	<u>\$ 175,000</u>

NOTE I—LEASES

The Association rents office space in New Gloucester, Maine from a third party under an operating lease expiring in 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 the years ended June 30, 2013 and 2012 was \$23,980 and \$23,116, respectively.

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2013:

Year-ending June 30, 2014	\$ 20,788
Year-ending June 30, 2015	20,048
Year-ending June 30, 2016	11,694
Thereafter	-

NOTE J—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Program and support services	\$ 144,000	\$ 198,794
Vehicle transportation	<u>9,178</u>	<u>8,690</u>
Temporarily restricted net assets	<u>\$ 153,178</u>	<u>\$ 207,484</u>

Net assets were released from restriction in 2013 in the amount of \$117,484 for costs related to program and support services.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

NOTE K—DIRECT ATHLETE SUPPORT

As part of its annual Performance Partnership Agreement with the Association, the United States Olympic Committee (USOC) pays direct support to athletes according to certain eligibility and performance requirements. While these funds are paid directly to the athletes by the USOC, the Association is providing a service to the USOC by governing the program and athlete compliance. Accordingly, the direct athlete support received annually is included as revenue and support and as a corresponding functional expense within the Association's financial statements. Total direct athlete support for the years ended June 30, 2013 and 2012, was \$125,000, respectively.

NOTE L—SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2013</u>	<u>2012</u>
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 39,771	\$ 32,654
Income taxes paid	-	-

NOTE M—FAIR VALUE OF FINANCIAL STATEMENTS

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 N—OPERATING DEFICITS AND DEFICIENCY IN WORKING CAPITAL

As shown in the accompanying financial statements, the Association had a deficiency in net assets of approximately \$504,000 and \$375,000 as of June 30, 2013 and 2012, respectively. As of June 30, 2013, the Association's current liabilities exceeded its current assets by approximately \$489,000 and its total liabilities exceeded total assets by approximately \$504,000.

Management continues to take affirmative steps to address these concerns. The Association signed a new sponsorship agreement which will provide additional revenue of \$220,000 over each of the next two fiscal years. The Association's annual support from the USOC and other grant funding remain consistent and management continues to solicit new sources for funding. Management expects the development of the United States Biathlon Foundation will continue to improve fundraising support.

The new sponsorship agreement and continued support from the USOC has alleviated concerns about the Association's ability to continue as a going concern.