

**Financial Statements and
Other Financial Information**

United States Biathlon Association, Inc.

June 30, 2014

Dawson, Smith, Purvis & Bassett, P.A

CONTENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2014

Independent Auditors' Report..... 1

Financial Statements

Statements of Financial Position..... 2
Statements of Activities and Changes in Net Assets..... 3
Statements of Cash Flows..... 4
Statements of Functional Expenses..... 5
Notes to the Financial Statements..... 7



**DAWSON SMITH
PURVIS & BASSETT**

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

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
Adam P. Johnson, CPA

Craig M. Pike, CPA
Patricia S. Hodgdon, CPA
Jeremy S. Handlon, CPA
Michael P. Kelly, CPA
Ryan W. Dawson, CPA
Jeffery W. Hicklin, CPA
Benjamin E. Gosselin, CPA, CFE

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, 2014 and 2013 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, 2014 and 2013, 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.

January 23, 2015
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 64,798	\$ 47,299
Accounts receivable	118,907	18,846
Promises to give, net of an unamortized discount of \$0 at June 30, 2013 and 2012, respectively	50,000	100,000
Inventory	5,750	9,565
Prepaid expenses	32,112	29,721
TOTAL CURRENT ASSETS	<u>271,567</u>	<u>205,431</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	33,335	33,335
Vehicles	68,452	74,450
Training equipment	245,372	192,895
	<u>347,159</u>	<u>300,680</u>
Less accumulated depreciation	279,177	253,345
NET PROPERTY AND EQUIPMENT	<u>67,982</u>	<u>47,335</u>
OTHER ASSETS		
Security deposit	1,399	2,649
Investments	41,048	34,528
TOTAL OTHER ASSETS	<u>42,447</u>	<u>37,177</u>
TOTAL ASSETS	<u>\$ 381,996</u>	<u>\$ 289,943</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable-line of credit	\$ 99,895	\$ 99,895
Accounts payable	267,075	99,863
Credit cards payable	118,841	141,018
Accrued interest payable	8,039	16,037
Deferred revenue	71,500	217,180
Advance from Maine Winter Sports Center	-	20,000
Current portion of long-term debt	75,000	100,000
TOTAL CURRENT LIABILITIES	<u>640,350</u>	<u>693,993</u>
LONG-TERM DEBT, net of current portion	<u>100,000</u>	<u>100,000</u>
DEFICIENCY IN NET ASSETS		
Unrestricted	(358,354)	(657,228)
Temporarily restricted	-	153,178
	<u>(358,354)</u>	<u>(504,050)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 381,996</u>	<u>\$ 289,943</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Support		
Contributions	\$ 134,684	\$ 154,033
In-kind supplies and services	765,358	327,818
Revenue		
United States Olympic Committee	1,468,136	1,100,070
International Biathlon Union	151,631	185,397
Sponsorships and marketing agreements	741,134	331,804
Membership dues	37,815	32,343
Fundraising income	54,385	99,879
Program fees and other revenue	22,290	31,240
Interest and dividends	236	565
Unrealized gains on investments	4,691	3,219
Realized gains on sale of investments	1,593	2,198
Foreign currency loss	(2,999)	(2,332)
	<u>3,378,954</u>	<u>2,266,234</u>
Net assets released from restriction	<u>153,178</u>	<u>117,484</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTION	<u>3,532,132</u>	<u>2,383,718</u>
Expenses		
Program services:		
Team trials, training and competition	2,256,957	1,670,822
Development programs	486,976	420,631
Total program expenses	<u>2,743,933</u>	<u>2,091,453</u>
Support services:		
General and administrative	321,826	271,173
Marketing and development	167,499	95,911
Total support services	<u>489,325</u>	<u>367,084</u>
TOTAL EXPENSES	<u>3,233,258</u>	<u>2,458,537</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	298,874	(74,819)
Unrestricted net assets, beginning of year	<u>(657,228)</u>	<u>(582,409)</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ (358,354)</u>	<u>\$ (657,228)</u>
TEMPORARILY RESTRICTED NET ASSETS		
International Biathlon Union	\$ -	\$ 9,178
Contributions	-	54,000
Net assets released from restriction	<u>(153,178)</u>	<u>(117,484)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(153,178)	(54,306)
Temporarily restricted net assets, beginning of year	<u>153,178</u>	<u>207,484</u>
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 153,178</u>
CHANGE IN NET ASSETS	\$ 145,696	\$ (129,125)
Deficiency in net assets, beginning of year	<u>(504,050)</u>	<u>(374,925)</u>
DEFICIENCY IN NET ASSETS, END OF YEAR	<u>\$ (358,354)</u>	<u>\$ (504,050)</u>

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 145,696	\$ (129,125)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,830	28,872
Realized and unrealized gains on investments	(6,284)	(5,417)
Changes in operating assets and liabilities:		
Accounts receivable	(100,061)	(265)
Promises to give	50,000	166,794
Inventory	3,815	24,138
Prepaid expenses	(2,391)	35,633
Security deposit	1,250	(1,250)
Accounts payable	167,212	12,395
Credit cards payable	(22,177)	(34,118)
Accrued interest payable	(7,998)	16,037
Deferred revenue	(145,680)	(26,570)
Total adjustments	<u>(30,484)</u>	<u>216,249</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	115,212	87,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(52,477)	(21,797)
Reinvestment of interest and dividends	(236)	(565)
Proceeds from sale of investments	-	34,188
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(52,713)</u>	<u>11,826</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(25,000)	(5,424)
Net payments to Libra Foundation	-	(50,000)
Net payments to Maine Winter Sports Center	(20,000)	(15,000)
NET CASH USED BY FINANCING ACTIVITIES	<u>(45,000)</u>	<u>(70,424)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,499	28,526
Cash and cash equivalents, beginning of year	<u>47,299</u>	<u>18,773</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 64,798</u>	<u>\$ 47,299</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2014

<u>Program Services:</u>	Team Trials, Training, and Competition	Athlete Development Programs	Total Program Services
Salaries and wages	\$ 159,455	\$ 150,155	\$ 309,610
Payroll taxes and employee benefits	51,858	48,833	100,691
Subtotal - personnel	<u>211,313</u>	<u>198,988</u>	<u>410,301</u>
Travel, lodging and meals	360,015	134,801	494,816
Supplies and equipment	901,752	70,568	972,320
Contract labor	489,860	58,908	548,768
Event support		23,711	23,711
Health management services and supplies	36,388		36,388
Athlete assistance	223,766		223,766
Awards	4,695		4,695
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>2,227,789</u>	<u>486,976</u>	<u>2,714,765</u>
Depreciation	<u>29,168</u>		<u>29,168</u>
TOTAL PROGRAM SERVICES	<u>\$ 2,256,957</u>	<u>\$ 486,976</u>	<u>\$ 2,743,933</u>
<u>Support Services:</u>	General and Administrative	Marketing and Fundraising	Total Support Services
Salaries and wages	\$ 64,851	\$ 56,421	\$ 121,272
Payroll taxes and employee benefits	21,091	18,349	39,440
Subtotal - personnel	<u>85,942</u>	<u>74,770</u>	<u>160,712</u>
Travel, lodging and meals	23,163	17,418	40,581
Media expenses		6,113	6,113
Miscellaneous	14,077		14,077
Insurance	42,965		42,965
Rent and utilities	24,695		24,695
Bank charges	6,434		6,434
Telephone	17,014		17,014
Legal and professional	53,480		53,480
Fundraising expenses		26,886	26,886
Special events		42,312	42,312
Payroll processing	1,143		1,143
Postage and shipping	4,120		4,120
Interest expense	34,105		34,105
Dues and subscriptions	2,231		2,231
Printing and copying	2,269		2,269
Repairs and maintenance	7,526		7,526
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>319,164</u>	<u>167,499</u>	<u>486,663</u>
Depreciation	<u>2,662</u>		<u>2,662</u>
TOTAL SUPPORT SERVICES	<u>\$ 321,826</u>	<u>\$ 167,499</u>	<u>\$ 489,325</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2013

<u>Program Services:</u>	Team Trials, Training and Competition	Athlete 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	387,386	107,969	495,355
Supplies and equipment	502,793	15,341	518,134
Contract labor	375,931	53,750	429,681
Health management services and supplies	33,849		33,849
Athlete assistance	177,641		177,641
Awards	2,346		2,346
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,645,537</u>	<u>420,631</u>	<u>2,066,168</u>
Depreciation	<u>25,285</u>		<u>25,285</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,670,822</u>	<u>\$ 420,631</u>	<u>\$ 2,091,453</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	4,802		4,802
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	3,616		3,616
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>267,586</u>	<u>95,911</u>	<u>363,497</u>
Depreciation	<u>3,587</u>		<u>3,587</u>
TOTAL SUPPORT SERVICES	<u>\$ 271,173</u>	<u>\$ 95,911</u>	<u>\$ 367,084</u>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 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, 2014 and 2013.

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, 2014, the Association had no amounts due that exceed 60 days old.

At June 30, 2014, accounts receivable had net balances in the amount of \$118,907, 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 F 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.

Years Ended June 30, 2014 and 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, 2014 and 2013, 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, 2014, 2013, and 2012.

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. Estimated value of in-kind services and materials received for the years ended June 30, 2014 and 2013 totaled \$765,358 and \$327,818, respectively.

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, 2014 and 2013 were \$31,830 and \$28,872, respectively.

Subsequent Events

The Association has evaluated all subsequent events through January 23, 2015, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reclassification

Certain amounts within the 2013 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unrestricted promises	\$ 50,000	\$ 50,000
Temporarily restricted promises	-	50,000
	<u>\$ 50,000</u>	<u>\$ 100,000</u>
Promises are due in:		
Less than one year	\$ 50,000	\$ 100,000
One to five years	-	-
	<u>\$ 50,000</u>	<u>\$ 100,000</u>

At June 30, 2014 and 2013, promises to give were net of unamortized discount of \$0, respectively.

NOTE C--COMPENSATED ABSENCES

Employees are entitled to paid personal, sick, and vacation time throughout the year based on length of service. Unused vacation time is paid to employees at the end of employment. Accrued vacation pay at June 30, 2014 and 2013 was deemed immaterial and not accrued.

NOTE D—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 2014 and 2013 was \$1,468,136 and \$1,100,070, respectively, which represented 43% and 47%, respectively of the Association's revenue for each year.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE E—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, 2014 and 2013:

	2014	2013
Domestic equities	\$ 11,231	\$ 9,668
Domestic bonds	2,500	4,420
Non-traditional managers	14,359	7,078
International equities	10,385	8,148
International bonds	1,174	-
Cash and cash equivalents	1,400	276
Real assets	-	4,938
	<u>41,048</u>	<u>34,528</u>
Total of investment pool	<u>\$ 41,048</u>	<u>\$ 34,528</u>

Investment return is summarized as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividend income	\$ 236	\$ 565
Unrealized gains on sale of investments	4,691	3,219
Realized gains on sale of investments	1,593	2,198
	<u>6,520</u>	<u>5,982</u>

NOTE F—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:

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE F—FAIR VALUE MEASUREMENTS--CONTINUED

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"> • 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 correlation or other means. <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, 2014 and 2013.

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.

The following table sets forth by level, within fair value hierarchy, the Association's assets at fair value as of June 30, 2014 and 2013:

Assets at Fair Value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Pooled interest	\$ -	\$ 41,048	\$ -	\$ 41,048
	<u>\$ -</u>	<u>\$ 41,048</u>	<u>\$ -</u>	<u>\$ 41,048</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE F—FAIR VALUE MEASUREMENTS--CONTINUED

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
	<u>\$ -</u>	<u>\$ 34,528</u>	<u>\$ -</u>	<u>\$ 34,528</u>

NOTE G—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, 2014. 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, 2014 and 2013 was \$99,895, respectively.

NOTE H—DUE TO RELATED PARTY

Approximately \$8,000 and \$38,000 of accounts payable at June 30, 2014 and 2013, respectively, was due to an individual charged with governance within the Association.

NOTE I—LONG-TERM DEBT

At June 30, 2014 and 2013, long-term debt consisted of the following:

	<u>2014</u>	<u>2013</u>
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.	\$ 175,000	\$ 200,000
Less: current portion	<u>75,000</u>	<u>100,000</u>
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

NOTE J—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 \$1,671 per month plus an allocation of common area expenses and utilities. Total rent expense for the years ended June 30, 2014 and 2013 was \$23,504 and \$23,980, respectively.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE J—LEASES--CONTINUED

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2014:

Year-ending June 30, 2015	\$	20,052
Year-ending June 30, 2016		11,697
Thereafter		-

NOTE K—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Program and support services	\$ -	\$ 144,000
Vehicle transportation	-	9,178
Temporarily restricted net assets	<u>\$ -</u>	<u>\$ 153,178</u>

Net assets were released from restriction in 2014 in the amount of \$153,178 for costs related to program and support services and vehicle transportation.

NOTE L—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, 2014 and 2013, was \$138,600 and \$125,000, respectively.

NOTE M—SUPPLEMENTAL CASH FLOW DISCLOSURES

	2014	2013
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 34,105	\$ 39,771
Income taxes paid	-	-

During the year ended June 30, 2014, the Association had the following noncash investing activity for purposes of the statement of cash flows:

Disposal of vehicle	\$ 5,998
---------------------	----------

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2014 and 2013

NOTE N—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 O—OPERATING DEFICITS AND DEFICIENCY IN WORKING CAPITAL

As shown in the accompanying financial statements, the Association had a deficiency in net assets of approximately \$358,000 and \$504,000 as of June 30, 2014 and 2013, respectively. As of June 30, 2014, the Association's current liabilities exceeded its current assets by approximately \$369,000 and its total liabilities exceeded total assets by approximately \$358,000.

Management continues to take affirmative steps to address these concerns. The Association experienced an increase in net assets of approximately \$146,000 for the year ended June 30, 2014. The Association's annual support from the USOC and other grant funding remain consistent and management continues to solicit new sources for funding. Also, in 2014 the Association was named the beneficiary of a \$500,000 charitable remainder trust established by a donor. The assets will be transferred to the Association upon death of the donor.

These circumstances have alleviated concerns about the Association's ability to continue as a going concern.