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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2015

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**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

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 nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014 (restated) 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, 2015 and 2014 (restated), 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.

Correction of an Error

As discussed in Note Q to the financial statements, an error resulting from the omission of the Association's beneficial interest in a charitable remainder unitrust as of June 30, 2014, was discovered by management of the Association during the current year. Accordingly, an amount for the Association's beneficial interest in a charitable remainder unitrust and temporarily restricted contributions have been restated in the 2014 financial statements now presented, and an adjustment has been made to temporarily restricted net assets as of June 30, 2014, to correct the error. Our opinion is not modified with respect to this matter.

Going Concern

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note R to the financial statements, the Association's significant operating deficit and deficiency in working capital raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note R. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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

May 12, 2016
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2015 and 2014 (restated)

	2015	(Restated) 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,837	\$ 64,798
Accounts receivable	12,094	118,907
Promises to give, net of an unamortized discount of \$0 at June 30, 2015 and 2014, respectively	85,115	50,000
Other receivables	4,708	-
Inventory	5,450	5,750
Prepaid expenses	14,422	32,112
TOTAL CURRENT ASSETS	<u>129,626</u>	<u>271,567</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	30,695	33,335
Vehicles	68,452	68,452
Training equipment	244,509	245,372
	<u>343,656</u>	<u>347,159</u>
Less accumulated depreciation	306,409	279,177
NET PROPERTY AND EQUIPMENT	<u>37,247</u>	<u>67,982</u>
OTHER ASSETS		
Beneficial interest in charitable remainder unitrust, net of an unamortized discount of \$78,888 and \$75,235 at June 30, 2015 and 2014, respectively	177,900	174,247
Security deposit	1,399	1,399
Investments	41,544	41,048
TOTAL OTHER ASSETS	<u>220,843</u>	<u>216,694</u>
TOTAL ASSETS	<u>\$ 387,716</u>	<u>\$ 556,243</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable-line of credit	\$ -	\$ 99,895
Accounts payable	167,022	267,075
Credit cards payable	162,001	118,841
Accrued payroll	26,984	-
Accrued interest payable	5,641	8,039
Deferred revenue	12,500	71,500
Advance from Maine Winter Sports Center	25,000	-
Current portion of long-term debt	199,473	75,000
TOTAL CURRENT LIABILITIES	<u>598,621</u>	<u>640,350</u>
LONG-TERM DEBT, net of current portion	<u>222,330</u>	<u>100,000</u>
DEFICIENCY IN NET ASSETS		
Unrestricted	(611,135)	(358,354)
Temporarily restricted	177,900	174,247
	<u>(433,235)</u>	<u>(184,107)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 387,716</u>	<u>\$ 556,243</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

	2015	(Restated) 2014
UNRESTRICTED NET ASSETS		
Support and revenue:		
Support		
Contributions	\$ 118,705	\$ 134,684
In-kind supplies and services	464,411	765,358
Revenue		
United States Olympic Committee	1,213,341	1,468,136
International Biathlon Union	182,240	151,631
Sponsorships and marketing agreements	324,157	741,134
Membership dues	37,215	37,815
Fundraising income	27,750	54,385
Program fees and other revenue	11,069	22,290
Interest and dividends	346	236
Unrealized (losses) gains on investments	(630)	4,691
Realized gains on sale of investments	780	1,593
Foreign currency loss	(2,292)	(2,999)
	<u>2,377,092</u>	<u>3,378,954</u>
Net assets released from restriction	-	153,178
	<u>2,377,092</u>	<u>3,532,132</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTION		
Expenses		
Program services:		
Team trials, training and competition	1,790,009	2,256,957
Development programs	414,919	486,976
Total program expenses	<u>2,204,928</u>	<u>2,743,933</u>
Support services:		
General and administrative	274,684	321,826
Marketing and development	150,261	167,499
Total support services	<u>424,945</u>	<u>489,325</u>
	<u>2,629,873</u>	<u>3,233,258</u>
TOTAL EXPENSES		
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(252,781)	298,874
Unrestricted net assets, beginning of year	<u>(358,354)</u>	<u>(657,228)</u>
	<u>\$ (611,135)</u>	<u>\$ (358,354)</u>
UNRESTRICTED NET ASSETS, END OF YEAR		
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ -	\$ 174,247
Change in value of split-interest agreement	3,653	-
Net assets released from restriction	-	(153,178)
	<u>3,653</u>	<u>21,069</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted net assets, beginning of year	<u>174,247</u>	<u>153,178</u>
	<u>\$ 177,900</u>	<u>\$ 174,247</u>
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR		
CHANGE IN NET ASSETS	\$ (249,128)	\$ 319,943
Deficiency in net assets, beginning of year	<u>(184,107)</u>	<u>(504,050)</u>
	<u>\$ (433,235)</u>	<u>\$ (184,107)</u>
DEFICIENCY IN NET ASSETS, END OF YEAR		

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

	2015	(Restated) 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (249,128)	\$ 319,943
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	30,705	31,830
Realized and unrealized gains on investments	(150)	(6,284)
Loss on disposal of property and equipment	30	-
Beneficial interest in charitable remainder unitrust	(3,653)	(174,247)
Changes in operating assets and liabilities:		
Accounts receivable	106,813	(100,061)
Promises to give	(35,115)	50,000
Other receivables	(4,708)	-
Inventory	300	3,815
Prepaid expenses	17,690	(2,391)
Security deposit	-	1,250
Accounts payable	(100,053)	167,212
Credit cards payable	43,160	(22,177)
Accrued payroll	26,984	-
Accrued interest payable	(2,398)	(7,998)
Deferred revenue	(59,000)	(145,680)
Total adjustments	<u>20,605</u>	<u>(204,731)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(228,523)</u>	<u>115,212</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(52,477)
Reinvestment of interest and dividends	(346)	(236)
NET CASH USED BY INVESTING ACTIVITIES	<u>(346)</u>	<u>(52,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	150,000	-
Principal payments on long-term debt	(3,092)	(25,000)
Net advances from (payments to) Maine Winter Sports Center	25,000	(20,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>171,908</u>	<u>(45,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(56,961)	17,499
Cash and cash equivalents, beginning of year	<u>64,798</u>	<u>47,299</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,837</u>	<u>\$ 64,798</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2015

<u>Program Services:</u>	Team Trials, Training, and Competition	Athlete Development Programs	Total Program Services
Salaries and wages	\$ 150,548	\$ 130,589	\$ 281,137
Payroll taxes and employee benefits	40,229	34,896	75,125
Subtotal - personnel	<u>190,777</u>	<u>165,485</u>	<u>356,262</u>
Travel, lodging and meals	358,516	102,059	460,575
Supplies and equipment	557,703	56,464	614,167
Contract labor	421,331	90,150	511,481
Event support		761	761
Health management services and supplies	31,656		31,656
Athlete assistance	187,350		187,350
Awards	13,210		13,210
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,760,543</u>	<u>414,919</u>	<u>2,175,462</u>
Depreciation	<u>29,466</u>		<u>29,466</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,790,009</u>	<u>\$ 414,919</u>	<u>\$ 2,204,928</u>
<u>Support Services:</u>	General and Administrative	Marketing and Fundraising	Total Support Services
Salaries and wages	\$ 63,252	\$ 82,288	\$ 145,540
Payroll taxes and employee benefits	16,902	21,989	38,891
Subtotal - personnel	<u>80,154</u>	<u>104,277</u>	<u>184,431</u>
Travel, lodging and meals	22,698	17,234	39,932
Media expenses		15,452	15,452
Miscellaneous	4,041		4,041
Insurance	32,705		32,705
Rent and utilities	26,259		26,259
Bank charges	7,483		7,483
Telephone	13,603		13,603
Legal and professional	29,756		29,756
Fundraising expenses		13,298	13,298
Payroll processing	1,241		1,241
Postage and shipping	3,300		3,300
Interest expense	45,592		45,592
Dues and subscriptions	1,849		1,849
Printing and copying	1,764		1,764
Repairs and maintenance	2,970		2,970
Loss on disposal of property and equipment	30		30
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>273,445</u>	<u>150,261</u>	<u>423,706</u>
Depreciation	<u>1,239</u>		<u>1,239</u>
TOTAL SUPPORT SERVICES	<u>\$ 274,684</u>	<u>\$ 150,261</u>	<u>\$ 424,945</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2014 (restated)

<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 Development	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>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

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, 2015 and 2014.

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, 2015, the Association had no amounts due that exceed 60 days old.

At June 30, 2015, accounts receivable had net balances in the amount of \$12,094, 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, 2015 and 2014 (restated)

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, 2015 and 2014, 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, 2015, 2014, and 2013.

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, 2015 and 2014 (restated) totaled \$464,411 and \$765,358, 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, 2015 and 2014 (restated) were \$30,705 and \$31,830, respectively.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

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

Subsequent Events

The Association has evaluated all subsequent events through May 12, 2016, the date the financial statements were available to be issued.

Reclassification

Certain amounts within the 2014 (restated) 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, 2015 and 2014 (restated):

	2015	(Restated) 2014
	<u> </u>	<u> </u>
Unrestricted promises	<u>\$ 85,115</u>	<u>\$ 50,000</u>
Promises are due in:		
Less than one year	\$ 85,115	\$ 50,000
One to five years	<u> -</u>	<u> -</u>
	<u>\$ 85,115</u>	<u>\$ 50,000</u>

At June 30, 2015 and 2014 (restated), promises to give were net of unamortized discount of \$0, respectively.

NOTE C--BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

In December 2013, the Association was named the beneficiary of a charitable remainder unitrust established by a donor. The assets are held by an unrelated third party trustee. According to the terms of the unitrust agreement, five percent of the net fair market value of the unitrust's assets shall be distributed annually to the donor and his spouse until death. Upon death of the donor and termination of the unitrust, the remaining assets of the unitrust will be distributed to the Association for its unrestricted use.

Pursuant to FASB ASC 958-605-30-14, the beneficial interest will be measured at fair value equal to the present value of the future distribution of the unitrust's assets to the Association.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE C--BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST—CONTINUED

The fair value of the Association's beneficial interest in the charitable remainder unitrust was not recognized in the Association's 2014 financial statements issued on January 23, 2015 and, accordingly, the Association's 2014 financial statements were restated to include the beneficial interest in the charitable remainder unitrust.

At June 30, 2015 and 2014 (restated), the fair value of Association's beneficial interest in the charitable remainder unitrust is as follows:

	2015	(Restated) 2014
	<u>2015</u>	<u>(Restated) 2014</u>
Estimated future distribution of unitrust assets	\$ 253,135	\$ 253,135
Present value discount	<u>(75,235)</u>	<u>(78,888)</u>
Present value of future distribution of unitrust assets	<u>\$ 177,900</u>	<u>\$ 174,247</u>

For the year ended June 30, 2015, \$3,653 of the present value discount was amortized and included as the change in value of split-interest agreement to temporarily restricted net assets.

NOTE D--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. Management considered accrued vacation pay at June 30, 2015 and 2014 (restated) to be immaterial and no amount was accrued.

NOTE E--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 2015 and 2014 (restated) was \$1,213,341 and \$1,468,136, respectively, which represented 51% and 43%, respectively of the Association's revenue for each year.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE F--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, 2015 and 2014 (restated):

	2015	(Restated) 2014
Domestic equities	\$ 12,654	\$ 11,231
Domestic bonds	2,580	2,500
Non-traditional managers	13,975	14,358
International equities	10,523	10,385
International bonds	1,167	1,174
Cash and cash equivalents	644	1,400
	<u>41,544</u>	<u>41,048</u>
Total of investment pool	<u>\$ 41,544</u>	<u>\$ 41,048</u>

Investment return is summarized as follows for the years ended June 30, 2015 and 2014 (restated):

	2015	(Restated) 2014
Interest and dividend income	\$ 346	\$ 236
Unrealized (losses) gains on sale of investments	(630)	4,691
Realized gains on sale of investments	780	1,593
	<u>496</u>	<u>6,520</u>
	<u>\$ 496</u>	<u>\$ 6,520</u>

NOTE G--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, 2015 and 2014 (restated)

NOTE G--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	Inputs to the valuation methodology include: <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. 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, 2015 and 2014 (restated).

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.

Beneficial interest in charitable remainder unitrust: Valued at the net present asset value of the estimated future distribution of the unitrust's assets to the Association. The value of the estimated assets upon distribution is based on a rate of return equal to the Daily United States Treasury Yield Curve over the life expectancy of the donors. The present value discount rate is equal to the estimated rate of return.

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, 2015 and 2014 (restated):

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE G--FAIR VALUE MEASUREMENTS--CONTINUED

Assets at Fair Value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 41,544	\$ -	\$ 41,544
Beneficial interest in charitable remainder unitrust	-	177,900	-	177,900
	<u>\$ -</u>	<u>\$ 219,444</u>	<u>\$ -</u>	<u>\$ 219,444</u>

Assets at Fair Value as of June 30, 2014 (restated):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 41,048	\$ -	\$ 41,048
Beneficial interest in charitable remainder unitrust	-	174,247	-	174,247
	<u>\$ -</u>	<u>\$ 215,295</u>	<u>\$ -</u>	<u>\$ 215,295</u>

NOTE H--LINE OF CREDIT

During the year, the Association had a line of credit with TD Bank under which it could borrow up to \$100,000. On June 15, 2015, the outstanding principal balance of \$99,895 was converted to a term note. The terms of the note payable are disclosed in Note J.

NOTE I--RELATED PARTY TRANSACTIONS

Approximately \$29,000 and \$8,000 of accounts payable at June 30, 2015 and 2014 (restated), respectively, was due to an individual charged with governance within the Association.

In 2015 the Association received a loan from a company partially owned by a trustee of the Association. The terms of the note payable are disclosed in Note J.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE J--LONG-TERM DEBT

At June 30, 2015 and 2014 (restated), long-term debt consisted of the following:

	<u>2015</u>	<u>(Restated) 2014</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. The 2015 payment was not made.	\$ 175,000	\$ 175,000
Note payable to TD Bank, N.A. with monthly principal and interest installments of \$1,451.05 through June 2022. The note bears interest at 5.74%.	99,869	-
Note payable to Eagle Realty Assets, LLC with monthly principal and interest installments of \$1,519 through March 2025. The note bears interest at 4.0%.	<u>146,934</u>	<u>-</u>
	421,803	175,000
Less current portion of long-term debt	<u>199,473</u>	<u>75,000</u>
	<u>\$ 222,330</u>	<u>\$ 100,000</u>

Future maturities of long-term debt at June 30, 2015 are as follows:

Year ending <u>June 30</u>	<u>Amount</u>
2016	\$ 199,473
2017	25,712
2018	26,999
2019	28,354
2020	29,772
Thereafter	<u>111,493</u>
	<u>\$ 421,803</u>

NOTE K--LEASES

The Association rents office space in New Gloucester, Maine from a third party under an operating lease expiring in January 2021. 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, 2015 and 2014 (restated), was \$25,384 and \$23,504, respectively

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE L--LEASES--CONTINUED

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2015:

Year ending June 30	Amount
2016	\$ 20,052
2017	20,052
2018	20,052
2019	20,052
2020	20,052
Thereafter	<u>11,697</u>
	<u>\$ 111,957</u>

NOTE M--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 (restated) were \$177,900 and \$174,247, respectively, consisting of the Association's beneficial interest in a charitable remainder unitrust. The assets will be released from restriction upon termination of the unitrust and distribution of assets to the Association.

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 N--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, 2015 and 2014 (restated), was \$136,000 and \$138,600, respectively.

NOTE O--SUPPLEMENTAL CASH FLOW DISCLOSURES

	2015	(Restated) 2014
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 45,592	\$ 34,105
Income taxes paid	-	-

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2015 and 2014 (restated)

NOTE P--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 Q--PRIOR PERIOD ADJUSTMENT

During the current year an error was discovered resulting from the omission of the Association's beneficial interest in a charitable remainder unitrust within the 2014 financial statements. Accordingly, an adjustment was made during the current year to increase other assets by \$174,247 as of the beginning of the year. A corresponding entry was made to increase temporarily restricted net assets by \$174,247 as of the beginning of the year.

The following summarizes the prior period adjustment referred to above:

	Other Assets - Beneficial Interest in CRUT	Temporarily Restricted Net Assets
	<u> </u>	<u> </u>
Balance at June 30, 2014, as previously reported	\$ -	\$ -
Prior period adjustment for:		
Beneficial interest in charitable remainder unitrust	<u>174,247</u>	<u>174,247</u>
Balance at June 30, 2014, as restated	<u><u>\$ 174,247</u></u>	<u><u>\$ 174,247</u></u>

NOTE R--OPERATING DEFICITS AND DEFICIENCY IN WORKING CAPITAL

As shown in the accompanying financial statements, the Association had a deficiency in net assets of approximately \$433,000 and \$184,000 as of June 30, 2015 and 2014 (restated), respectively. As of June 30, 2015, the Association's current liabilities exceeded its current assets by approximately \$469,000 and its total liabilities exceeded total assets by approximately \$433,000. The Association was unable to make its annual principal installment note payment to the USOC.

Management continues to take affirmative steps to address these concerns. The Association's annual support from the USOC and other grant funding remain consistent and management continues to solicit new sources for funding. As discussed in Note B, the 2014 the Association was named the beneficiary charitable remainder unitrust established by a donor. The assets will be distributed to the Association upon death of the donor.