

# **Financial Statements**

## **United States Biathlon Association, Inc.**

**June 30, 2016**



**DAWSON SMITH  
PURVIS & BASSETT**  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2016

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**DAWSON SMITH  
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**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 nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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.*

February 4, 2017  
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,497	\$ 7,837
Accounts receivable	109,446	12,094
Promises to give, net of an unamortized discount of \$0 at June 30, 2016 and 2015, respectively	294,781	85,115
Other receivables	785	4,708
Inventory	5,450	5,450
Prepaid expenses	5,584	14,422
TOTAL CURRENT ASSETS	<u>433,543</u>	<u>129,626</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	30,695	30,695
Vehicles	68,452	68,452
Training equipment	246,127	244,509
	<u>345,274</u>	<u>343,656</u>
Less accumulated depreciation	324,296	306,409
NET PROPERTY AND EQUIPMENT	<u>20,978</u>	<u>37,247</u>
OTHER ASSETS		
Beneficial interest in charitable remainder unitrust, net of an unamortized discount of \$77,453 and \$75,235 at June 30, 2016 and 2015, respectively	184,845	177,900
Security deposit	1,399	1,399
Investments	40,588	41,544
TOTAL OTHER ASSETS	<u>226,832</u>	<u>220,843</u>
TOTAL ASSETS	<u>\$ 681,353</u>	<u>\$ 387,716</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 212,547	\$ 167,022
Credit cards payable	59,912	162,001
Accrued payroll	14,654	26,984
Federal withholdings payable	100,942	-
Accrued interest payable	17,016	5,641
Deferred revenue	12,500	12,500
Advance from Maine Winter Sports Center	-	25,000
Current portion of long-term debt	88,176	199,473
TOTAL CURRENT LIABILITIES	<u>505,747</u>	<u>598,621</u>
LONG-TERM DEBT, net of current portion	<u>309,181</u>	<u>222,330</u>
DEFICIENCY IN NET ASSETS		
Unrestricted	(318,420)	(611,135)
Temporarily restricted	184,845	177,900
	<u>(133,575)</u>	<u>(433,235)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 681,353</u>	<u>\$ 387,716</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Support		
Contributions	\$ 482,870	\$ 118,705
In-kind supplies and services	458,253	464,411
Revenue		
United States Olympic Committee	1,072,074	1,213,341
International Biathlon Union	339,983	182,240
Sponsorships and marketing agreements	293,230	324,157
Membership dues	34,592	37,215
Fundraising income	2,300	27,750
Program fees and other revenue	5,631	11,069
Interest and dividends	216	346
Unrealized losses on investments	(2,734)	(630)
Realized gains on sale of investments	1,562	780
Foreign currency gain (loss)	3,187	(2,292)
	<u>2,691,164</u>	<u>2,377,092</u>
Net assets released from restriction	-	-
TOTAL UNRESTRICTED SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTION	<u>2,691,164</u>	<u>2,377,092</u>
Expenses		
Program services:		
Team trials, training and competition	1,615,895	1,790,009
Development programs	387,907	414,919
Total program expenses	<u>2,003,802</u>	<u>2,204,928</u>
Support services:		
General and administrative	281,865	274,684
Marketing and development	112,782	150,261
Total support services	<u>394,647</u>	<u>424,945</u>
TOTAL EXPENSES	<u>2,398,449</u>	<u>2,629,873</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	292,715	(252,781)
Unrestricted deficiency in net assets, beginning of year	<u>(611,135)</u>	<u>(358,354)</u>
UNRESTRICTED DEFICIENCY IN NET ASSETS, END OF YEAR	<u>\$ (318,420)</u>	<u>\$ (611,135)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Change in beneficial interest in charitable remainder unitrust	<u>\$ 6,945</u>	<u>\$ 3,653</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	6,945	3,653
Temporarily restricted net assets, beginning of year	<u>177,900</u>	<u>174,247</u>
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	<u>\$ 184,845</u>	<u>\$ 177,900</u>
CHANGE IN NET ASSETS	\$ 299,660	\$ (249,128)
Deficiency in net assets, beginning of year	<u>(433,235)</u>	<u>(184,107)</u>
DEFICIENCY IN NET ASSETS, END OF YEAR	<u>\$ (133,575)</u>	<u>\$ (433,235)</u>

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 299,660	\$ (249,128)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,887	30,705
Realized and unrealized losses (gains) on investments	1,172	(150)
Loss on disposal of property and equipment	-	30
Beneficial interest in charitable remainder unitrust	(6,945)	(3,653)
Changes in operating assets and liabilities:		
Accounts receivable	(97,352)	106,813
Promises to give	(209,666)	(35,115)
Other receivables	3,923	(4,708)
Inventory	-	300
Prepaid expenses	8,838	17,690
Security deposit	-	-
Accounts payable	45,525	(100,053)
Credit cards payable	(102,089)	43,160
Accrued payroll	(12,330)	26,984
Federal withholdings payable	100,942	-
Accrued interest payable	11,375	(2,398)
Deferred revenue	-	(59,000)
Total adjustments	<u>(238,720)</u>	<u>20,605</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>60,940</u>	<u>(228,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,618)	-
Reinvestment of interest and dividends	(216)	(346)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,834)</u>	<u>(346)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	150,000
Principal payments on long-term debt	(24,446)	(3,092)
Net (payments to) advances from Maine Winter Sports Center	(25,000)	25,000
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(49,446)</u>	<u>171,908</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,660	(56,961)
Cash and cash equivalents, beginning of year	<u>7,837</u>	<u>64,798</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,497</u>	<u>\$ 7,837</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2016

<u>Program Services:</u>	Team Trials, Training, and Competition	Athlete Development Programs	Total Program Services
Salaries and wages	\$ 122,804	\$ 189,706	\$ 312,510
Payroll taxes and employee benefits	36,466	56,333	92,799
Subtotal - personnel	<u>159,270</u>	<u>246,039</u>	<u>405,309</u>
Travel, lodging and meals	340,043	67,717	407,760
Supplies and equipment	554,614	50,790	605,404
Contract labor	342,403	19,717	362,120
Event support		3,644	3,644
Health management services and supplies	29,205		29,205
Athlete assistance	171,000		171,000
Awards	2,081		2,081
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,598,616</u>	<u>387,907</u>	<u>1,986,523</u>
Depreciation	<u>17,279</u>		<u>17,279</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,615,895</u>	<u>\$ 387,907</u>	<u>\$ 2,003,802</u>
<u>Support Services:</u>	General and Administrative	Marketing and Fundraising	Total Support Services
Salaries and wages	\$ 56,161	\$ 53,677	\$ 109,838
Payroll taxes and employee benefits	16,677	15,939	32,616
Subtotal - personnel	<u>72,838</u>	<u>69,616</u>	<u>142,454</u>
Travel, lodging and meals	14,796	17,464	32,260
Media expenses		12,978	12,978
Miscellaneous	3,588		3,588
Insurance	35,535		35,535
Rent and utilities	25,544		25,544
Bank charges	6,843		6,843
Telephone	14,975		14,975
Legal and professional	35,378		35,378
Fundraising expenses		4,595	4,595
Special events		8,129	8,129
Payroll processing	1,545		1,545
Postage and shipping	2,018		2,018
Interest expense	56,735		56,735
Dues and subscriptions	3,031		3,031
Printing and copying	149		149
Repairs and maintenance	8,282		8,282
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>281,257</u>	<u>112,782</u>	<u>394,039</u>
Depreciation	<u>608</u>		<u>608</u>
TOTAL SUPPORT SERVICES	<u>\$ 281,865</u>	<u>\$ 112,782</u>	<u>\$ 394,647</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	190,777	165,485	356,262
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	1,760,543	414,919	2,175,462
Depreciation	29,466		29,466
TOTAL PROGRAM SERVICES	\$ 1,790,009	\$ 414,919	\$ 2,204,928
<u>Support Services:</u>	General and Administrative	Marketing and Development	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	80,154	104,277	184,431
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	273,445	150,261	423,706
Depreciation	1,239		1,239
TOTAL SUPPORT SERVICES	\$ 274,684	\$ 150,261	\$ 424,945



## NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

### 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, 2016 and 2015.

#### 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, 2016, the Association had no amounts due that exceed 60 days old.

At June 30, 2016, accounts receivable had net balances in the amount of \$109,446, net of an allowance for bad debts of \$0. The entire amount of accounts receivable is pledged as collateral for the Association's note payable to TD Bank, N.A.

#### 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, 2016 and 2015

#### 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, 2016 and 2015, 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, 2016, 2015, and 2014.

##### 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, 2016 and 2015 totaled \$458,253 and \$464,411, 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, 2016 and 2015 were \$17,887 and \$30,705, respectively.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

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

Subsequent Events

The Association has evaluated all subsequent events through February 4, 2017, the date the financial statements were available to be issued.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted promises	<u>\$ 294,781</u>	<u>\$ 85,115</u>
Promises are due in:		
Less than one year	\$ 294,781	\$ 85,115
One to five years	<u>-</u>	<u>-</u>
	<u>\$ 294,781</u>	<u>\$ 85,115</u>

At June 30, 2016 and 2015, promises to give were net of unamortized discount of \$0.

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, 2016 and 2015

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

At June 30, 2016 and 2015, the fair value of Association's beneficial interest in the charitable remainder unitrust is as follows:

	<u>2016</u>	<u>2015</u>
Estimated future distribution of unitrust assets	\$ 262,298	\$ 253,135
Present value discount	<u>(77,453)</u>	<u>(75,235)</u>
Present value of future distribution of unitrust assets	<u>\$ 184,845</u>	<u>\$ 177,900</u>

For the years ended June 30, 2016 and 2015, the change in the present value of the split-interest agreement of \$6,945 and \$3,653 was included in temporarily restricted net assets, respectively.

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, 2016 and 2015 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 2016 and 2015 was \$1,072,074 and \$1,213,341, respectively, which represented 40% and 51%, respectively of the Association's revenue for each year.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

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, 2016 and 2015:

	2016	2015
Domestic equities	\$ 12,724	\$ 12,654
Domestic bonds	2,857	2,580
Non-traditional managers	15,289	13,975
International equities	8,341	10,523
International bonds	1,250	1,167
Cash and cash equivalents	<u>127</u>	<u>645</u>
Total of investment pool	<u>\$ 40,588</u>	<u>\$ 41,544</u>

Investment return is summarized as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 216	\$ 346
Unrealized losses on sale of investments	(2,734)	(630)
Realized gains on sale of investments	<u>1,562</u>	<u>780</u>
Change in investment pool	<u>\$ (956)</u>	<u>\$ 496</u>

NOTE G--FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable assets or liabilities (level 3 measurements). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. 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, 2016 and 2015

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 other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, such as: <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, 2016 and 2015.

*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, 2016 and 2015:

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

NOTE G--FAIR VALUE MEASUREMENTS--CONTINUED

Assets at Fair Value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 40,588	\$ -	\$ 40,588
Beneficial interest in charitable remainder unitrust		184,845		184,845
	<u>\$ -</u>	<u>\$ 225,433</u>	<u>\$ -</u>	<u>\$ 225,433</u>

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>

NOTE H--LINE OF CREDIT

In 2015, 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 \$26,000 and \$29,000 of accounts payable at June 30, 2016 and 2015, 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, 2016 and 2015

NOTE J--LONG-TERM DEBT

At June 30, 2016 and 2015, long-term debt consisted of the following:

	<u>2016</u>	<u>2015</u>
Note payable to United States Olympic Committee originally through December 2015, bearing interest at 3.5%, increasing by 1.0% annually through December 2015. In 2016, the note was renegotiated. Commencing July 2016, payments are due in monthly installments of \$6,000, including interest at 6.5%, through January 2019.	\$ 175,000	\$ 175,000
Note payable to TD Bank, N.A. with monthly principal and interest installments of \$1,451 through June 2022. The note bears interest at 5.74%.	87,998	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>134,359</u>	<u>146,934</u>
	397,357	421,803
Less current portion of long-term debt	<u>88,176</u>	<u>199,473</u>
	<u>\$ 309,181</u>	<u>\$ 222,330</u>

Future maturities of long-term debt at June 30, 2016 are as follows:

Year ending June 30	Amount
2017	\$ 88,176
2018	93,646
2019	74,243
2020	29,772
2021	31,278
Thereafter	<u>80,242</u>
	<u>\$ 397,357</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, 2016 and 2015, was \$25,544 and \$26,259, respectively.



NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

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, 2016:

Year ending June 30	Amount
2017	\$ 31,500
2018	31,500
2019	26,001
2020	20,052
2021	11,697
Thereafter	<u>-</u>
	<u>\$ 120,750</u>

NOTE M--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 were \$184,845 and \$177,900, 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.

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, 2016 and 2015, was \$136,000 and \$136,000, respectively.

NOTE O--SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2016</u>	<u>2015</u>
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 45,360	\$ 45,592
Income taxes paid	-	-

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2016 and 2015

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 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 \$134,000 and \$433,000 as of June 30, 2016 and 2015, respectively. As of June 30, 2016, the Association's current liabilities exceeded its current assets by approximately \$72,000 and its total liabilities exceeded total assets by approximately \$134,000.

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. Subsequent to fiscal year June 30, 2016, the Association received several contributions totaling approximately \$700,000. Furthermore, as discussed in Note B, in 2014 the Association was named the beneficiary of a charitable remainder unitrust established by a donor.

The decrease in the deficiency of net assets and the contributions received subsequent to June 30, 2016, have alleviated concerns about the Association's ability to continue as a going concern.