

Financial Statements

United States Biathlon Association, Inc.

June 30, 2018



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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Going Concern

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note O 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 O. 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.

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

March 19, 2019
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,223	\$ 77,870
Accounts receivable	211,097	83,577
Promises to give, net of an unamortized discount of \$0 at June 30, 2018 and 2017, respectively	20,006	13,920
Inventory	5,450	5,450
Prepaid expenses	8,006	20,273
TOTAL CURRENT ASSETS	<u>264,782</u>	<u>201,090</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	32,771	32,771
Vehicles	25,963	67,465
Training equipment	209,730	168,341
	<u>268,464</u>	<u>268,577</u>
Less accumulated depreciation	213,262	232,538
NET PROPERTY AND EQUIPMENT	<u>55,202</u>	<u>36,039</u>
OTHER ASSETS		
Due from United States Biathlon Foundation	34,045	37,135
Beneficial interest in charitable remainder unitrust, net of an unamortized discount of \$119,128 and \$94,450 at June 30, 2018 and 2017, respectively	220,310	208,250
Security deposit	1,399	1,399
Investments	50,101	45,706
TOTAL OTHER ASSETS	<u>305,855</u>	<u>292,490</u>
TOTAL ASSETS	<u>\$ 625,839</u>	<u>\$ 529,619</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 243,757	\$ 103,466
Credit cards payable	173,759	20,092
Accrued payroll	45,545	-
Federal withholdings payable	100,942	100,942
Due to related party	91,281	-
Deferred revenue	-	12,500
Current portion of long-term debt	141,770	103,784
TOTAL CURRENT LIABILITIES	<u>797,054</u>	<u>340,784</u>
LONG-TERM DEBT, net of current portion	<u>156,503</u>	<u>239,938</u>
DEFICIENCY IN NET ASSETS		
Unrestricted	(550,170)	(269,353)
Temporarily restricted	222,452	218,250
	<u>(327,718)</u>	<u>(51,103)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 625,839</u>	<u>\$ 529,619</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Support		
Contributions	\$ 189,618	\$ 722,986
In-kind supplies and services	759,858	455,753
Revenue		
United States Olympic Committee	1,500,400	1,039,700
International Biathlon Union	315,814	349,895
Sponsorships and marketing agreements	160,049	63,223
Membership dues	36,705	32,441
Fundraising income	9,530	-
Program fees and other revenue (costs)	(6,586)	1,333
Interest and dividends	319	262
Unrealized gains on investments	1,880	2,411
Realized gains on sale of investments	2,196	2,445
Foreign currency gain (loss)	485	(6,232)
	<u>2,970,268</u>	<u>2,664,217</u>
Net assets released from restriction	<u>13,858</u>	<u>-</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTION	<u>2,984,126</u>	<u>2,664,217</u>
Expenses		
Program services:		
Team trials, training and competition	2,284,488	1,737,434
Development programs	401,887	430,997
Total program expenses	<u>2,686,375</u>	<u>2,168,431</u>
Support services:		
General and administrative	484,034	336,781
Marketing and fundraising	94,534	109,938
Total support services	<u>578,568</u>	<u>446,719</u>
TOTAL EXPENSES	<u>3,264,943</u>	<u>2,615,150</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(280,817)	49,067
Unrestricted deficiency in net assets, beginning of year	<u>(269,353)</u>	<u>(318,420)</u>
UNRESTRICTED DEFICIENCY IN NET ASSETS, END OF YEAR	<u>\$ (550,170)</u>	<u>\$ (269,353)</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 6,000	\$ 10,000
Change in beneficial interest in charitable remainder unitrust	<u>12,060</u>	<u>23,405</u>
TOTAL SUPPORT AND OTHER REVENUE	18,060	33,405
Net assets released from restriction	<u>(13,858)</u>	<u>-</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	4,202	33,405
Temporarily restricted net assets, beginning of year	<u>218,250</u>	<u>184,845</u>
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	<u>\$ 222,452</u>	<u>\$ 218,250</u>
CHANGE IN NET ASSETS	\$ (276,615)	\$ 82,472
Deficiency in net assets, beginning of year	<u>(51,103)</u>	<u>(133,575)</u>
DEFICIENCY IN NET ASSETS, END OF YEAR	<u><u>\$ (327,718)</u></u>	<u><u>\$ (51,103)</u></u>

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (276,615)	\$ 82,472
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,168	10,541
Realized and unrealized gains on investments	(4,076)	(4,856)
Loss on disposal of property and equipment	-	2,438
Beneficial interest in charitable remainder unitrust	(12,060)	(23,405)
Changes in operating assets and liabilities:		
Accounts receivable	(127,520)	25,869
Promises to give	(6,086)	230,861
Other receivables	-	785
Prepaid expenses	12,267	(14,689)
Due from United States Biathlon Foundation	3,090	12,865
Accounts payable	140,291	(109,081)
Credit cards payable	153,667	(39,820)
Accrued payroll	45,545	(14,654)
Due to related party	91,281	-
Accrued interest payable	-	(17,016)
Deferred revenue	(12,500)	-
Total adjustments	<u>310,067</u>	<u>59,838</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,452</u>	<u>142,310</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(45,331)	(2,758)
Reinvestment of interest and dividends	(319)	(262)
NET CASH USED BY INVESTING ACTIVITIES	<u>(45,650)</u>	<u>(3,020)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(45,449)	(78,917)
NET CASH USED BY FINANCING ACTIVITIES	<u>(45,449)</u>	<u>(78,917)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57,647)	60,373
Cash and cash equivalents, beginning of year	<u>77,870</u>	<u>17,497</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 20,223</u>	<u>\$ 77,870</u>

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2018

<u>Program Services:</u>	Team Trials, Training, and Competition	Athlete Development Programs	Total Program Services
Salaries and wages	\$ 139,683	\$ 212,170	\$ 351,853
Payroll taxes and employee benefits	37,177	56,470	93,647
Subtotal - personnel	<u>176,860</u>	<u>268,640</u>	<u>445,500</u>
Travel, lodging and meals	404,746	72,945	477,691
Supplies and equipment	960,495	50,338	1,010,833
Contract labor	471,845	-	471,845
Event support	-	9,964	9,964
Health management services and supplies	30,272	-	30,272
Athlete assistance	166,025	-	166,025
Awards	48,828	-	48,828
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>2,259,071</u>	<u>401,887</u>	<u>2,660,958</u>
Depreciation	<u>25,417</u>	<u>-</u>	<u>25,417</u>
TOTAL PROGRAM SERVICES	<u>\$ 2,284,488</u>	<u>\$ 401,887</u>	<u>\$ 2,686,375</u>
<u>Support Services:</u>	General and Administrative	Marketing and Fundraising	Total Support Services
Salaries and wages	\$ 103,846	\$ 53,962	\$ 157,808
Payroll taxes and employee benefits	27,639	14,363	42,002
Subtotal - personnel	<u>131,485</u>	<u>68,325</u>	<u>199,810</u>
Travel, lodging and meals	158,744	21,632	180,376
Media expenses	-	4,577	4,577
Miscellaneous	5,524	-	5,524
Insurance	48,764	-	48,764
Rent and utilities	25,371	-	25,371
Bank charges	9,218	-	9,218
Telephone	18,721	-	18,721
Legal and professional	30,776	-	30,776
Payroll processing	2,053	-	2,053
Postage and shipping	2,104	-	2,104
Interest expense	26,586	-	26,586
Dues and subscriptions	9,301	-	9,301
Repairs and maintenance	1,486	-	1,486
Bad debt	13,150	-	13,150
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>483,283</u>	<u>94,534</u>	<u>577,817</u>
Depreciation	<u>751</u>	<u>-</u>	<u>751</u>
TOTAL SUPPORT SERVICES	<u>\$ 484,034</u>	<u>\$ 94,534</u>	<u>\$ 578,568</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Year Ended June 30, 2017

	Team Trials, Training and Competition	Athlete Development Programs	Total Program Services
<u>Program Services:</u>			
Salaries and wages	\$ 157,470	\$ 203,505	\$ 360,975
Payroll taxes and employee benefits	39,425	50,950	90,375
Subtotal - personnel	<u>196,895</u>	<u>254,455</u>	<u>451,350</u>
Travel, lodging and meals	334,049	82,073	416,122
Supplies and equipment	614,126	67,469	681,595
Contract labor	359,125	-	359,125
Event support	-	27,000	27,000
Health management services and supplies	26,405	-	26,405
Athlete assistance	185,050	-	185,050
Awards	9,711	-	9,711
Loss on disposal of property and equipment	2,438	-	2,438
TOTAL PROGRAM SERVICES BEFORE DEPRECIATION	<u>1,727,799</u>	<u>430,997</u>	<u>2,158,796</u>
Depreciation	<u>9,635</u>	<u>-</u>	<u>9,635</u>
TOTAL PROGRAM SERVICES	<u>\$ 1,737,434</u>	<u>\$ 430,997</u>	<u>\$ 2,168,431</u>
<u>Support Services:</u>			
	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 94,144	\$ 56,798	\$ 150,942
Payroll taxes and employee benefits	23,570	14,220	37,790
Subtotal - personnel	<u>117,714</u>	<u>71,018</u>	<u>188,732</u>
Travel, lodging and meals	41,489	23,008	64,497
Media expenses	-	15,912	15,912
Miscellaneous	6,664	-	6,664
Insurance	37,989	-	37,989
Rent and utilities	25,525	-	25,525
Bank charges	8,752	-	8,752
Telephone	19,132	-	19,132
Legal and professional	28,620	-	28,620
Payroll processing	1,382	-	1,382
Postage and shipping	641	-	641
Interest expense	24,787	-	24,787
Dues and subscriptions	6,202	-	6,202
Printing and copying	1,041	-	1,041
Repairs and maintenance	5,937	-	5,937
Bad debt	10,000	-	10,000
TOTAL SUPPORT SERVICES BEFORE DEPRECIATION	<u>335,875</u>	<u>109,938</u>	<u>445,813</u>
Depreciation	<u>906</u>	<u>-</u>	<u>906</u>
TOTAL SUPPORT SERVICES	<u>\$ 336,781</u>	<u>\$ 109,938</u>	<u>\$ 446,719</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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, 2018 and 2017.

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, 2018, the Association had \$19,482 of accounts receivable that exceeded 60 days old.

At June 30, 2018 and 2017, accounts receivable had net balances in the amount of \$211,097 and \$83,577, respectively, 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.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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

Investments

The Association reports investments in the Statement of Financial Position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 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.

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, the Association is classified as a public supported organization under Section 509(a)(1) and contributions to the Association qualify for charitable contribution deduction under Internal Revenue Code 170(b)(1)(A).

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 value of these in-kind products is 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, 2018 and 2017 totaled \$759,858 and \$455,753, 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, 2018 and 2017 were \$26,168 and \$10,541, respectively.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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

Recent Accounting Pronouncements

Leases - in February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 841). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The guidance is required to be applied by the modified retrospective transition approach. Early adoption is permitted. The Association is currently assessing the impact of the adoption of this authoritative guidance on the financial statements.

Financial Instruments - in January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the calendar year 2019. The Association is currently assessing the impact that the adoption of ASU 2016-01 may have on the financial statements.

Presentation of Financial Statements of Not-for-Profit Entities - in August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. The amendment is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendment is permitted. Application to interim financial statements is permitted but not required in the initial year of application. The Association is assessing the impact of ASU 2016-14 on its financial statements.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2018 financial statements.

Subsequent Events

The Association has evaluated all subsequent events through March 19, 2019, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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. As of June 30, 2018 and 2017, unrestricted promises to give are \$20,006 and \$13,920, respectively and were net of unamortized discount of \$0. All promises to give are due within one year.

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.

At June 30, 2018 and 2017, the fair value of Association’s beneficial interest in the charitable remainder unitrust is as follows:

	2018	2017
Estimated future distribution of unitrust assets	\$ 339,438	\$ 302,700
Present value discount	(119,128)	(94,450)
Present value of future distribution of unitrust assets	\$ 220,310	\$ 208,250

For the years ended June 30, 2018 and 2017, the change in the present value of the split-interest agreement of \$12,060 and \$23,405 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, 2018 and 2017 to be immaterial and no amount was accrued.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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 2018 and 2017 was \$1,500,400 and \$1,039,700, respectively, which represented approximately 50% and 40% of the Association's revenue for each year. Accounts receivable due from the USOC at June 30, 2018 and 2017 was \$137,500 and \$3,571, respectively.

The Association also receives a substantial portion of its operating revenue from the International Biathlon Union (IBU). Total revenue from the IBU in 2018 and 2017 was \$315,814 and \$349,895, respectively, which represented approximately 11% and 13% of the Association's revenue for each year. Accounts receivable due from the IBU at June 30, 2018 and 2017 was \$54,329 and \$0, respectively.

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, 2018 and 2017:

	2018	2017
Domestic equities	\$ 15,441	\$ 14,370
Domestic bonds	3,016	2,934
Non-traditional managers	18,457	17,638
International equities	9,805	8,794
International bonds	1,413	1,376
Cash and cash equivalents	1,969	594
	<u>50,101</u>	<u>45,706</u>
Total of investment pool	<u>\$ 50,101</u>	<u>\$ 45,706</u>

Investment return is summarized as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 319	\$ 262
Unrealized gains on sale of investments	1,880	2,411
Realized gains on sale of investments	2,196	2,445
	<u>4,395</u>	<u>5,118</u>
Change in investment pool	<u>\$ 4,395</u>	<u>\$ 5,118</u>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

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). The three levels of the fair value measurements under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the Association has the ability to access.
Level 2	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"> • 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.

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, 2018 and 2017.

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, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018:			
	Level 1	Level 2	Level 3	Total
Pooled interest	\$ -	\$ 50,101	\$ -	\$ 50,101
Beneficial interest in charitable remainder unitrust		220,310		220,310
	<u>\$ -</u>	<u>\$ 270,411</u>	<u>\$ -</u>	<u>\$ 270,411</u>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

NOTE G--FAIR VALUE MEASUREMENTS--CONTINUED

Assets at Fair Value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled interest	\$ -	\$ 45,706	\$ -	\$ 45,706
Beneficial interest in charitable remainder unitrust	-	208,250	-	208,250
	<u>\$ -</u>	<u>\$ 253,956</u>	<u>\$ -</u>	<u>\$ 253,956</u>

NOTE H--LONG-TERM DEBT

At June 30, 2018 and 2017, long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Note payable to United States Olympic Committee with payments due in monthly installments of \$6,000, including interest at 6.5%, through January 2019.	\$ 108,088	\$ 122,157
Note payable to VW Credit, Inc. with monthly principal and interest installments of \$454 through May 2022. The note bears interest at 2.9%.	20,537	24,919
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%.	61,999	75,376
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>107,649</u>	<u>121,270</u>
Total Debt	298,273	343,722
Less current portion of long-term debt	<u>141,770</u>	<u>103,784</u>
	<u>\$ 156,503</u>	<u>\$ 239,938</u>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

NOTE H--LONG-TERM DEBT--CONTINUED

Future maturities of long-term debt at June 30, 2018 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 141,770
2020	34,843
2021	36,497
2022	37,779
2023	16,632
Thereafter	<u>30,752</u>
	<u>\$ 298,273</u>

NOTE I--RELATED PARTY TRANSACTIONS

At June 30, 2018, \$91,281 was due to an individual charged with governance within the Association from a short term advance. No formal repayment terms exist. Interest is being accrued at a rate of 4.99%. Interest payable of \$1,281 is included in the amount due at June 30, 2018.

At June 30, 2018 and 2017, the Association was due \$34,045 and \$37,135, respectively, from the United States Biathlon Foundation.

NOTE J--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, 2018 and 2017, was \$25,371 and \$25,525, respectively.

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2018:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 26,001
2020	20,052
2021	<u>11,697</u>
	<u>\$ 57,750</u>

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

NOTE K--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Beneficial interest in charitable remainder unitrust	\$ 220,310	\$ 208,250
Award programs	<u>2,142</u>	<u>10,000</u>
	<u>\$ 222,452</u>	<u>\$ 218,250</u>

The beneficial interest will be released from restriction upon termination of the unitrust and distribution of assets to the Association.

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, 2018 and 2017, was \$143,400 and \$136,400, respectively.

NOTE M--SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2018</u>	<u>2017</u>
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 25,306	\$ 45,360
Income taxes paid	-	-

During the year ended June 30, 2017, the Association had the following noncash investing and financing activity for the purposes of the statement of cash flows:

Purchase of vehicle through a bank term note	<u>\$25,282</u>
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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.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2018 and 2017

NOTE O—GOING CONCERN

As shown in the accompanying financial statements, the Association had a deficiency in net assets of approximately \$328,000 and \$51,000 as of June 30, 2018 and 2017, respectively. As of June 30, 2018, the Association's current liabilities exceeded its current assets by approximately \$532,000 and its total liabilities exceeded total assets by approximately \$328,000. The Association was not able to make all its principal payments on the note payable to USOC described in Note I.

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 its efforts to solicit new sources for funding.