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UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United States Biathlon Association, Inc. (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Biathlon Association, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Portland, Maine
November 15, 2012

STATEMENTS OF FINANCIAL POSITION

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,773	\$ 60,004
Accounts receivable	18,581	18,579
Promises to give, net of an unamortized discount of \$3,206 and \$0 at June 30, 2012 and 2011, respectively	266,794	20,241
Inventory	33,703	35,643
Prepaid expenses	65,354	31,172
TOTAL CURRENT ASSETS	<u>403,205</u>	<u>165,639</u>
PROPERTY AND EQUIPMENT		
Office furniture and equipment	32,348	30,589
Vehicles	74,450	74,450
Training equipment	173,324	156,097
	<u>280,122</u>	<u>261,136</u>
Less accumulated depreciation	225,712	185,780
NET PROPERTY AND EQUIPMENT	<u>54,410</u>	<u>75,356</u>
OTHER ASSETS		
Security deposit	1,399	1,399
Investments	62,734	63,928
TOTAL OTHER ASSETS	<u>64,133</u>	<u>65,327</u>
TOTAL ASSETS	<u>\$ 521,748</u>	<u>\$ 306,322</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable-line of credit	\$ 99,895	\$ 99,909
Accounts payable	87,468	91,107
Credit cards payable	175,136	146,189
Deferred revenue	243,750	125,273
Due to related party	-	60,000
Advance from Maine Winter Sports Center	35,000	-
Advance from Libra Foundation	50,000	-
Advance from United States Olympic Committee	-	299,500
Current portion of long-term debt	30,424	5,249
TOTAL CURRENT LIABILITIES	<u>721,673</u>	<u>827,227</u>
LONG-TERM DEBT, net of current portion	175,000	963
(DEFICIENCY) IN NET ASSETS		
Unrestricted	(582,409)	(528,109)
Temporarily restricted	207,484	6,241
	<u>(374,925)</u>	<u>(521,868)</u>
TOTAL LIABILITIES AND DEFICIENCY IN NET ASSETS	<u>\$ 521,748</u>	<u>\$ 306,322</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2012 and 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES, GAINS AND OTHER SUPPORT				
United States Olympic Committee	\$ 988,247	\$ -	\$ 988,247	\$ 1,352,800
International Biathlon Union	217,574	8,690	226,264	230,000
Contributions	177,482	196,794	374,276	81,565
Sponsorships and marketing agreements	392,756		392,756	328,821
United States Biathlon Foundation	145,370	2,000	147,370	65,000
In-kind supplies and services	323,109		323,109	534,679
Interest and dividends	1,093		1,093	970
Unrealized (losses) gains on investments	(2,647)		(2,647)	9,071
Realized gains on sale of investments	360		360	2,153
Membership dues	33,090		33,090	29,555
Fundraising income	16,446		16,446	51,063
Program fees and other revenue	17,448		17,448	8,296
Foreign currency (loss) gain	(3,627)		(3,627)	514
	<u>2,306,701</u>	<u>207,484</u>	<u>2,514,185</u>	<u>2,694,487</u>
Net assets released from restrictions	6,241	(6,241)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,312,942	201,243	2,514,185	2,694,487
EXPENSES				
Program services:				
Team trials, training and competition	1,610,769		1,610,769	1,819,681
Development programs	366,588		366,588	499,480
Total program expenses	<u>1,977,357</u>	<u>-</u>	<u>1,977,357</u>	<u>2,319,161</u>
Support services:				
General and administrative	271,911		271,911	288,397
Marketing and development	117,974		117,974	168,082
Total support services	<u>389,885</u>	<u>-</u>	<u>389,885</u>	<u>456,479</u>
TOTAL EXPENSES	2,367,242	-	2,367,242	2,775,640
CHANGE IN NET ASSETS	(54,300)	201,243	146,943	(81,153)
(Deficiency) in net assets at beginning of year	<u>(528,109)</u>	<u>6,241</u>	<u>(521,868)</u>	<u>(440,715)</u>
(DEFICIENCY) IN NET ASSETS AT END OF YEAR	\$ (582,409)	\$ 207,484	\$ (374,925)	\$ (521,868)

See accompanying notes.

STATEMENTS OF CASH FLOWS

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 146,943	\$ (81,153)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	39,932	39,307
Realized and unrealized losses (gain) on investments	2,287	(11,224)
Changes in operating assets and liabilities:		
Accounts receivable	(2)	(3,675)
Promises to give	(246,553)	(6,241)
Inventory	1,940	(32,816)
Prepaid expenses	(34,182)	31,809
Accounts payable	(3,639)	(53,140)
Credit cards payable	28,947	57,275
Accrued expenses	-	(39,277)
Deferred revenue	118,477	62,500
Total adjustments	<u>(92,793)</u>	<u>44,518</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>54,150</u>	<u>(36,635)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of interest and dividends	(1,093)	(970)
Purchase of property and equipment	<u>(18,986)</u>	<u>(48,981)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(20,079)</u>	<u>(49,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable-line of credit	(99,514)	(99,591)
Proceeds from advances on note payable-line of credit	99,500	99,500
Principal payments on notes payable	(100,788)	(10,280)
Proceeds from note payable	300,000	-
Net (payments to) advances from related party	(60,000)	60,000
Advance from Libra Foundation	50,000	-
Net advances from (payments to) Maine Winter Sports Center	35,000	(55,000)
Net (payments to) advances from United States Olympic Committee	<u>(299,500)</u>	<u>150,000</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(75,302)</u>	<u>144,629</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,231)	58,043
Cash and cash equivalents, beginning of year	<u>60,004</u>	<u>1,961</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,773</u>	<u>\$ 60,004</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2012 and 2011

	June 30, 2012		
	Team Trials, Training and Competition	Development Programs	Total Program Services
<u>Program Services:</u>			
Salaries and wages	\$ 136,559	188,148	\$ 324,707
Payroll taxes and employee benefits	37,456	51,606	89,062
Subtotal - personnel	<u>174,015</u>	<u>239,754</u>	<u>413,769</u>
Travel, lodging and meals	405,518	59,554	465,072
Supplies and equipment	459,391	17,280	476,671
Contract labor	382,996	50,000	432,996
Health management services and supplies	24,397		24,397
Athlete assistance	124,997		124,997
Awards	3,435		3,435
	<u>TOTAL PROGRAM SERVICES</u>	<u>BEFORE DEPRECIATION</u>	
	1,574,749	366,588	1,941,337
Depreciation	<u>36,020</u>		<u>36,020</u>
	<u>TOTAL PROGRAM SERVICES</u>	<u>\$ 366,588</u>	<u>\$ 1,977,357</u>
	\$ 1,610,769		
<u>Support Services:</u>			
	General and Administrative	Marketing and Development	Total Support Services
Salaries and wages	\$ 76,700	36,390	\$ 113,090
Payroll taxes and employee benefits	21,037	9,981	31,018
Subtotal - personnel	<u>97,737</u>	<u>46,371</u>	<u>144,108</u>
Travel, lodging and meals	16,598	6,923	23,521
Media expenses		24,815	24,815
Miscellaneous	5,532		5,532
Insurance	28,842		28,842
Rent and utilities	24,544		24,544
Bank charges	11,417		11,417
Telephone	15,139		15,139
Legal and professional	24,368		24,368
Fundraising expenses		39,865	39,865
Payroll processing	1,523		1,523
Postage and shipping	3,947		3,947
Interest expense	32,654		32,654
Dues and subscriptions	1,538		1,538
Printing and copying	210		210
Repairs and maintenance	3,950		3,950
	<u>TOTAL SUPPORT SERVICES</u>	<u>BEFORE DEPRECIATION</u>	
	267,999	117,974	385,973
Depreciation	<u>3,912</u>		<u>3,912</u>
	<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 117,974</u>	<u>\$ 389,885</u>
	\$ 271,911		

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED STATES BIATHLON ASSOCIATION, INC.

Years Ended June 30, 2012 and 2011

	June 30, 2011			
	Team Trials, Training and Competition	Development Programs	Total Program Services	
<u>Program Services:</u>				
Salaries and wages	\$ 120,556	183,148	\$ 303,704	
Payroll taxes and employee benefits	20,639	47,098	67,737	
Subtotal - personnel	<u>141,195</u>	<u>230,246</u>	<u>371,441</u>	
Travel, lodging and meals	464,741	211,451	676,192	
Supplies and equipment	643,185	758	643,943	
Contract labor	356,396	55,514	411,910	
Health management services and supplies	26,980		26,980	
Regional support		1,511	1,511	
Athlete assistance	150,300		150,300	
Awards	1,782		1,782	
	<u>TOTAL PROGRAM SERVICES BEFORE DEPRECIATION</u>	<u>1,784,579</u>	<u>499,480</u>	<u>2,284,059</u>
Depreciation	<u>35,102</u>		<u>35,102</u>	
	<u>TOTAL PROGRAM SERVICES</u>	<u>\$ 1,819,681</u>	<u>\$ 499,480</u>	<u>\$ 2,319,161</u>
<u>Support Services:</u>				
	General and Administrative	Marketing and Development	Total Support Services	
Salaries and wages	\$ 98,520	36,390	\$ 134,910	
Payroll taxes and employee benefits	25,335	9,358	34,693	
Subtotal - personnel	<u>123,855</u>	<u>45,748</u>	<u>169,603</u>	
Travel, lodging and meals	18,387	26,451	44,838	
Media expenses		37,401	37,401	
Miscellaneous	2,711		2,711	
Insurance	27,757		27,757	
Rent and utilities	22,310		22,310	
Bank charges	6,914		6,914	
Telephone	17,570		17,570	
Legal and professional	25,717		25,717	
Fundraising expenses		58,482	58,482	
Payroll processing	1,564		1,564	
Postage and shipping	3,864		3,864	
Interest expense	30,802		30,802	
Dues and subscriptions	1,761		1,761	
Printing and copying	663		663	
Repairs and maintenance	317		317	
	<u>TOTAL SUPPORT SERVICES BEFORE DEPRECIATION</u>	<u>284,192</u>	<u>168,082</u>	<u>452,274</u>
Depreciation	<u>4,205</u>		<u>4,205</u>	
	<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 288,397</u>	<u>\$ 168,082</u>	<u>\$ 456,479</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

NOTE A--SUMMARY OF ACTIVITIES AND 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.

Financial Statement Presentation

The accompanying 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, 2012.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Accounts Receivable

Accounts receivable consists of amounts due under marketing and other arrangements. Accounts received 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, 2012, customer balances that exceeds 60 days old totaled approximately \$800.

At June 30, 2012, accounts receivable had net balances in the amount of \$18,581, net of an allowance balance of \$0. The entire amount of accounts receivable is pledged as collateral for the Association's line of credit.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

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

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.

Investments

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

Realized and unrealized gains and losses are reported in the Statement of Activities.

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 interest expense and penalties assessed by taxing authorities in general and administrative expenses. For years ended June 30, 2012 and 2011, there was no interest or penalties expense recorded and no accrued interest and penalties.

The Association's federal and state tax returns are open for examination for the years ended June 30, 2012, 2011, and 2010.

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

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.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

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

In-Kind Services and Materials

The Association receives ammunition, clothing, ski equipment, and other products in exchange for marketing rights with certain vendors. The Association also receives some legal services on a pro-bono basis. The value of these in-kind products and services are recorded at the estimated value at which the Association would have paid for those items.

Property and Equipment

The Association records property and equipment at cost, or fair market value if donated. Costs that do not significantly increase the useful life of an asset are charged to repairs and maintenance. Depreciation is computed using modified accelerated cost recovery method over the useful lives of the assets. Depreciation expense for the years ended June 30, 2012 and 2011 were \$39,932 and \$39,307, respectively.

Subsequent Events

The Association has evaluated all subsequent events through November 15, 2012, the date the financial statements were available to be issued.

Reclassification

Certain 2011 amounts 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrestricted promises	\$ 68,000	\$ 14,000
Temporarily restricted promises	<u>198,794</u>	<u>6,241</u>
	<u>\$ 266,794</u>	<u>\$ 20,241</u>

Promises are due in:

Less than one year	\$ 170,000	\$ 20,241
One to five years	<u>96,794</u>	<u>-</u>
	<u>\$ 266,794</u>	<u>\$ 20,241</u>

At June 30, 2012 and 2011, promises to give were net of unamortized discount of \$3,206 and \$0, respectively.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

NOTE C--INVESTMENTS

The Association is a participant in an investment pool with the United States Olympic Foundation. The United States Biathlon Association, Inc.'s portion of the investment pool at market value is comprised of the following at June 30, 2012 and 2011:

	2012	2011
Domestic equities	\$ 15,433	\$ 15,662
Domestic bonds	9,347	8,758
Non-traditional managers	13,927	13,425
International equities	14,115	15,535
Cash and cash equivalents	753	767
Real assets	9,159	9,781
	<u> </u>	<u> </u>
Total of investment pool	<u>\$ 62,734</u>	<u>\$ 63,928</u>

Investment return is summarized as follows for the year ended June 30, 2012 and 2011:

	2012	2011
Interest and dividend income	\$ 1,093	\$ 970
Realized gains on sale of investments	360	2,153
Unrealized (losses) gains on investments	(2,647)	9,071
	<u> </u>	<u> </u>
	<u>\$ (1,194)</u>	<u>\$ 12,194</u>

NOTE D--FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework 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 in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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 by 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.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

NOTE D--FAIR VALUE MEASUREMENTS--Continued

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, 2012 and 2011.

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.

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

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 plan's assets at fair value as of June 30, 2012 and 2011:

Assets at Fair Value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Pooled interest		\$ 62,734		62,734
Promise to give		196,794		196,794
	<u>\$ -</u>	<u>\$ 259,528</u>	<u>\$ -</u>	<u>\$ 259,528</u>

Assets at Fair Value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Pooled interest		\$ 63,928		\$ 63,928
	<u>\$ -</u>	<u>\$ 63,928</u>	<u>\$ -</u>	<u>\$ 63,928</u>

NOTE E--LINE OF CREDIT

The Association has a line of credit with TD Bank under which it may borrow up to \$100,000. The line of credit bears interest at 4.75% at June 30, 2012. Under the terms of the agreement, inventory and accounts receivable are held as collateral. The amount drawn on the line of credit at June 30, 2012 and 2011 was \$99,895 and \$99,909, respectively.

NOTE F--DUE TO RELATED PARTY

In January 2011, an individual charged with governance within the Association loaned \$60,000 as a short term note with an annual interest rate of 2.74%. The loan, including interest of \$891, was paid in July 2011.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

NOTE F--DUE TO RELATED PARTY--Continued

Approximately \$38,000 and \$52,000 of accounts payable at June 30, 2012 and 2011, respectively, was also due to the same individual charge with governance within the Association.

NOTE G--LONG TERM DEBT

At June 30, 2012 and 2011, long-term debt consisted of the following:

	<u>2012</u>	<u>2011</u>
Note payable to Chase Auto Finance in monthly installments of \$499 through August 2012, including interest at 7.39%; secured by an automobile.	\$ 963	\$ 6,212
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 on December 2015. The note bears interest at 3.5%, increasing by 1.0% annually through December 2015.	204,461	-
	<u>205,424</u>	<u>6,212</u>
Less: current portion	<u>30,424</u>	<u>5,249</u>
	<u>\$ 175,000</u>	<u>\$ 963</u>

NOTE H--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 2012 and 2011 was \$988,247 and \$1,0352,800, respectively, which represented 40% and 51%, respectively of the Association's revenue for each year.

NOTE I--LEASES

The Association rents office space in New Gloucester, Maine from a third party under an operating lease. The lease expired in January 2011 and was renewed through January 2016. The agreement calls for monthly base rent of \$1,622 per month plus an allocation of common area expenses and utilities. Total rent expense for 2011 and 2010 was \$23,116 and \$22,310, respectively.

The company also leases two vehicles under operating leases expiring in June 2013 and August 2013.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

UNITED STATES BIATHLON ASSOCIATION, INC.

June 30, 2012 and 2011

NOTE I--LEASES--Continued

The following is a schedule of future minimum lease payments required under the above operating lease agreements as of June 30, 2012:

Year-ending June 30, 2013	\$	32,239
Year-ending June 30, 2014		20,788
Year-ending June 30, 2015		20,048
Year-ending June 30, 2016		11,694
Thereafter		-

NOTE J--TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net asset are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Program and support services	\$ 198,794	\$ 6,241
Vehicle transportation	8,690	-
Temporarily restricted net assets	<u>\$ 207,484</u>	<u>\$ 6,241</u>

Net assets were released in 2012 in the amount \$6,421 for costs related to program and support services.

NOTE K--SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2012</u>	<u>2011</u>
<u>Interest and Income Taxes Paid:</u>		
Interest paid	\$ 32,654	\$ 30,802
Income taxes paid	-	-

NOTE L--FAIR VALUE OF FINANCIAL INSTRUMENTS

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 M--OPERATING DEFICITS AND DEFICIENCY IN WORKING CAPITAL

As shown in the accompanying financial statements, the Association had a deficiency in net assets of approximately \$375,000 and \$522,000 as of June 30, 2012 and 2011, respectively. As of June 30, 2012 the Association's current liabilities exceeded its current assets by approximately \$318,000 and its total liabilities exceeded total assets by approximately \$375,000.

Management has taken affirmative steps to address these concerns. The Association continues its effort to improve operating margins which is evident through the increase of net assets for period ended June 30, 2012. Their deficiency in working capital has improved and the annual support and grants remain consistent. Management expects the development of the United States Biathlon Foundation will continue to improve fundraising support.

The decrease in deficiency of net assets and improved working capital have alleviated concerns about the Association's ability to continue as a going concern.