

**USA SHOOTING, INC.**

**Financial Statements**

**For the Year Ended December 31, 2006**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
USA Shooting, Inc.  
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of USA Shooting, Inc. as of December 31, 2006 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's December 31, 2005 financial statements and, in our report dated February 27, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 USA Shooting, Inc. as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and supporting services for the year ended December 31, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Waugh & Goodwin, LLP*  
March 5, 2007

USA SHOOTING, INC.  
Statement of Financial Position  
December 31, 2006  
(With Comparative Amounts for 2005)

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,123,952	\$ 2,095,111
Short-term investments (Note B)	688,275	483,403
Accounts receivable	39,418	37,203
Prepaid expenses	312,815	212,057
Inventory	<u>146,671</u>	<u>133,757</u>
Total current assets	3,311,131	2,961,531
<b>PROPERTY AND EQUIPMENT:</b>		
Equipment	269,362	263,138
Outdoor range	1,013,096	1,013,096
Less accumulated depreciation	<u>(733,516)</u>	<u>(658,560)</u>
Property and equipment - net	<u>548,942</u>	<u>617,674</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,860,073</u></b>	<b><u>\$ 3,579,205</u></b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 203,372	\$ 310,754
Accrued liabilities	56,932	45,806
Deferred revenue (Note C)	<u>205,853</u>	<u>250,635</u>
Total current liabilities	466,157	607,195
<b>NET ASSETS:</b>		
Unrestricted	3,055,305	2,728,855
Temporarily restricted (Note E)	266,274	190,818
Permanently restricted (Note D)	<u>72,337</u>	<u>52,337</u>
Total net assets	<u>3,393,916</u>	<u>2,972,010</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,860,073</u></b>	<b><u>\$ 3,579,205</u></b>

See Notes to Financial Statements

<b>EXPENSES:</b>			
Program services:			
Elite athlete programs	1,935,649	1,935,649	1,500,676
Competitions	287,159	287,159	247,764
Shooter development	188,029	188,029	179,855
Membership	101,194	101,194	95,319
International relations	10,882	10,882	2,598
Total program services	2,522,913	2,522,913	2,026,212
Supporting services:			
Direct marketing	828,506	828,506	857,550
Fundraising	277,163	277,163	185,355
General & administrative	173,922	173,922	146,604
Total supporting services	1,279,591	1,279,591	1,189,509
Total expenses	3,802,504	3,802,504	3,215,721
CHANGE IN NET ASSETS	326,450	75,456	362,339
NET ASSETS, beginning of year	2,728,855	190,818	2,609,671
NET ASSETS, end of year	\$ 3,055,305	\$ 266,274	\$ 2,972,010
		\$ 72,337	\$ 3,393,916

See Notes to Financial Statements

USA SHOOTING, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2006  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 421,906	\$ 362,339
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,956	67,739
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(2,215)	27,710
Increase in inventory	(12,914)	(28,858)
Increase in prepaid expenses	(100,758)	(20,528)
Increase (decrease) in accounts payable	(107,382)	227,511
Increase in accrued liabilities	11,126	1,060
Increase (decrease) in deferred revenue	<u>(44,782)</u>	<u>57,474</u>
Total adjustments	<u>(181,969)</u>	<u>332,108</u>
Net cash provided by operating activities	239,937	694,447
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property & equipment	(6,224)	(102,694)
Increase in short-term investments	<u>(204,872)</u>	<u>(483,403)</u>
Net cash used by investing activities	<u>(211,096)</u>	<u>(586,097)</u>
NET INCREASE IN CASH	28,841	108,350
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,095,111</u>	<u>1,986,761</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,123,952</u>	<u>\$ 2,095,111</u>

See Notes to Financial Statements

USA SHOOTING, INC.  
Notes to Financial Statements  
For the Year Ending December 31, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Shooting, Inc. was incorporated on March 18, 1994, as a Colorado nonprofit corporation. The purpose of the Corporation is to advance amateur competition both nationally and internationally in the sport of shooting.

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is not subject to federal income taxes. The Corporation is not a private foundation.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions.

Membership Dues

One-year membership dues are billed on individual anniversary dates and recognized as revenue upon receipt.

Accounts Receivable

Accounts receivable are stated at the amount the Corporation expects to collect from balances outstanding at year-end. Based on the Corporation's experience with individuals and entities having outstanding balances, it has concluded that any losses on balances outstanding at year-end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Depreciation

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Equipment is depreciated using the straight-line method over useful lives of 5 to 15 years. Depreciation expense for the years ended December 31, 2006 and 2005 amounted to \$74,956 and \$67,739, respectively.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's cash balances in its checking and money market accounts. The Corporation maintains its cash and cash equivalents at several commercial banks. In the unlikely event of a bank failure, the Corporation might only be able to recover the amounts insured.

#### Inventory

Inventory consists of merchandise held for sale. Donated merchandise is recorded at fair market value at date of receipt. Purchased merchandise is recorded at the lower of first-in first-out cost or market.

#### Donated Services

The Corporation recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. No donated services were recorded for 2006 or 2005.

#### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Prior Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Notes to Financial Statements

B. SHORT-TERM INVESTMENTS

Short-term investments are carried in the Corporation's statement of financial position at quoted market values. At December 31, 2006 and 2005, the Corporation's short-term investments consisted of the following:

	<u>2006</u>	<u>2005</u>
Institutional money market funds	\$ 503,486	\$ 483,403
U.S. government bond	<u>184,788</u>	<u>          </u>
	<u>\$ 688,274</u>	<u>\$ 483,403</u>

Investment income for the years ended December 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 60,172	\$ 25,669
Unrealized loss	<u>          </u>	<u>(40)</u>
	<u>\$ 60,172</u>	<u>\$ 25,629</u>

C. DEFERRED REVENUE

Dues received for five-year memberships are deferred and recognized as revenue over the corresponding period of the membership. Dues received for life memberships are deferred and recognized over a period of twenty-five years. Deferred revenue consists of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Membership dues	\$ 166,418	\$ 157,946
Other	39,435	21,256
USOC performance funding grant	<u>          </u>	<u>71,433</u>
	<u>\$ 205,853</u>	<u>\$ 250,635</u>

D. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2006 and 2005 consist of assets that will be held in perpetuity with the earnings restricted to the following programs:

	<u>2006</u>	<u>2005</u>
Junior pistol training program	\$ 53,817	\$ 33,817
Shooting sports medicine research	17,520	17,520
International rifle	<u>1,000</u>	<u>1,000</u>
	<u>\$ 72,337</u>	<u>\$ 52,337</u>

Notes to Financial Statements

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2006 and 2005 consist of assets restricted for the following programs:

	<u>2006</u>	<u>2005</u>
Athlete trust accounts	\$ 82,926	\$ 44,511
Jr. Olympic National Shotgun Team	50,905	49,417
Capital campaign reserve funds	106,686	71,133
Endowment fund	9,267	9,267
Picket memorial fund	8,215	8,215
Shooting sports medicine research	5,242	5,242
Scholarship program	<u>3,033</u>	<u>3,033</u>
	<u>\$ 266,274</u>	<u>\$ 190,818</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During 2006 and 2005, restricted net assets were released from restrictions for the following programs:

	<u>2006</u>	<u>2005</u>
Athlete trust accounts	\$ 52,522	\$ 78,818
Junior Olympic National Shotgun Team	22,299	35,091
Capital campaign reserve funds	946	9,995
Rifle discipline	850	
Pistol discipline	720	
Shotgun discipline	<u>50</u>	
	<u>\$ 77,387</u>	<u>\$ 123,904</u>

F. RELATED PARTY TRANSACTIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Grants provided during the years ended December 31, 2006 and 2005 consisted of the following project categories:

	<u>2006</u>	<u>2005</u>
Performance funding	\$ 830,533	\$
Base funding		652,204
International relations grant	10,800	5,700
Rollover base funding from 2005	71,433	
Value in-kind	<u>49,835</u>	<u>10,937</u>
	<u>\$ 962,601</u>	<u>\$ 668,841</u>

The Corporation is economically dependent upon the grants from the USOC in order to maintain its programs at current levels.

## Notes to Financial Statements

### G. RETIREMENT PLAN

Effective January 1, 2003, the Corporation adopted a 401(k) retirement plan, covering substantially all employees. The Corporation can make discretionary matching contributions of 0 to 5% of eligible employee compensation. Total pension expense for the years ended December 31, 2006 and 2005, was \$17,450 and \$18,089, respectively.

### H. LEASES

The Corporation rents four storage units on a month-to-month basis. The monthly rent on the four units is \$357.

Total rent expense for each of the years ended December 31, 2006 and 2005 amounted to \$4,204.

Effective June 2004, the USOC assigned its rights to the Corporation in a lease of the outdoor range at Ft. Carson, Colorado. The Corporation successfully negotiated a ten-year extension of the lease. No payments are required under the terms of the lease.

### I. COMMITMENTS

During 2005, the Corporation entered into a 7-year agreement with Jack and Rose Burch regarding the use of a shooting facility in Kerrville, Texas. The agreement dates are from January 1, 2006 through December 31, 2013 and are renewable with the agreement of both parties. The Burch's have agreed to construct certain facilities by January 1, 2007 and the Corporation has agreed to host approximately 75% of its national level competitions at the Kerrville facility, provided that the Burch's are in compliance with their part of the agreement.

The Corporation further agreed to provide \$250,000 of grants to the Kerrville facility, \$50,000 of which was paid during 2005. The remaining \$200,000 of grants is contingent upon the following construction projects:

- 1.) \$50,000 to be paid upon completion of the airgun hall.
- 2.) \$50,000 to be paid upon installation and operation of a 10-meter electronic target and central ranking system.
- 3.) \$50,000 to be paid upon completion of the 50-meter range with installation and operation of all electronic target scoring systems.

## Notes to Financial Statements

### I. COMMITMENTS - Continued

- 4.) \$50,000 to be paid upon completion of the 25-meter pistol range with installation and operation of all electronic target scoring systems.

As of December 31, 2006, only the shotgun range was ready for competition, and three of the four national shotgun competitions in 2006 were held at the Kerrville facility. Due to funding setbacks, none of the other facilities were completed on time, and no payments were made. A verbal agreement was made in 2006 to extend the time allowed and payments will be withheld until such time as the facilities are satisfactorily completed to specifications. One of three national shotgun competitions will be held at the Kerrville facility in 2007.

USA SHOOTING, INC.  
Schedule of Program Services  
For the Year Ended December 31, 2006  
(With Comparative Totals for 2005)

Elite Athlete Programs	Competitions	Shooter Development	Membership	International Relations	2006 Totals	2005 Totals
Airfare	\$ 11,082	\$ 20,422	\$	\$	\$ 504,131	\$ 256,795
Ammunition		2,924			149,977	110,578
Athlete stipends					24,388	23,150
Audit & legal					2,745	6,177
Awards & medals	33,961	5,134	921		40,261	22,416
Bank fees	53				207	547
Competition entry fees					65,840	60,037
Copier expense						444
Depreciation	606		202		74,451	66,106
Dues & subscriptions	70				1,675	4,666
Employee benefits	11,935	9,892	5,118		81,096	83,127
Equipment maintenance	69				69	801
Equipment purchases					3,282	19,205
Equipment rental					907	1,912
Facility lease	956	4,477			8,673	9,106
Insurance & workmans comp.	2,017	534	229		27,875	23,078
Kerrville Range						50,000
Lodging & meals	96,092	25,037			660,785	500,934
Other expense	17,558	14,299	360	10,882	137,475	82,259
Payroll taxes	5,947	3,775	664		33,490	31,957
Postage & shipping	4,537	996	12,502		27,654	28,688
Practice rounds					10,556	5,098
Printing	2,151	1,223	13,821		17,989	
Professional services	10,450		55,031		70,879	36,552
Promotional items	5,291	3,606	1,215		11,748	14,859
Range operations	1,340				23,815	10,422
Recruitment/moving expense						396
Salaries	76,975	47,990	9,449		448,812	432,678
Supplies	1,480	1,702	1,526		9,148	73,713
Targets	4,310	485			15,198	15,703
Telephone	348	424	156		6,698	7,081
Travel subsidy		45,109			45,350	42,645
Uniforms					17,739	5,082
<b>Totals</b>	<b>\$ 287,159</b>	<b>\$ 188,029</b>	<b>\$ 101,194</b>	<b>\$ 10,882</b>	<b>\$ 2,522,913</b>	<b>\$ 2,026,212</b>

USA SHOOTING, INC.  
Schedule of Supporting Services  
For the Year Ended December 31, 2006  
(With Comparative Totals for 2005)

	Direct Marketing	Fundraising	General and Administrative	2006 Totals	2005 Totals
	\$	\$	\$	\$	\$
Accounting fees			1,773	1,773	2,032
Advertising & promotion		626	461	1,087	40
Airfare	1,110	20,069	4,032	25,211	15,873
Audit & legal		500	5,565	6,065	6,060
Awards & medals	3,250	590		3,840	5,079
Bank fees	4,782	232	7,812	12,826	5,625
Competition entry fees	1,235			1,235	2,864
Copier expense			3,147	3,147	2,514
Depreciation			505	505	1,633
Dues & subscriptions		25		25	210
Employee benefits		10,791	10,403	21,194	18,244
Equipment maintenance		205	160	160	
Equipment purchases		687	776	981	1,848
Insurance & workmans comp.	80,429		5,975	6,662	3,400
List maintenance	790			80,429	79,831
Lodging & meals	50,155			44,918	32,080
Other expense		33,842	10,286	44,918	112,048
Payroll taxes		41,371	5,514	97,040	13,154
Postage & shipping	231,467	7,023	5,841	12,864	217,273
Printing & supplies	393,385	8,054	3,457	242,978	414,808
Professional services	56,422	5,538	4,434	403,357	74,411
Promotional items	1,084	9,314	27,027	92,763	13,848
Recruitment/moving expense		18,884	85	20,053	249
Registrations	4,397			4,397	3,546
Salaries		117,947	74,925	192,872	159,674
Telephone		611	1,744	2,355	2,527
Uniforms		854		854	638
	<u>\$ 828,506</u>	<u>\$ 277,163</u>	<u>\$ 173,922</u>	<u>\$ 1,279,591</u>	<u>\$ 1,189,509</u>