

**AMERICAN SADDLEBRED REGISTRY, INC.**

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FINANCIAL STATEMENT

YEARS ENDED DECEMBER 31, 2009

**BENNETT & COMPANY CPAs**  
104 Daventry Lane  
Louisville, Kentucky 40223  
(502) 425-3030

AMERICAN SADDLEBRED REGISTRY, INC.

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YEAR ENDED DECEMBER 31, 2009

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**BENNETT & COMPANY, CPAs**  
*Accountants and Advisors*

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
American Saddlebred Registry, Inc.  
Lexington, Kentucky

We have audited the accompanying statement of financial position of the American Saddlebred Registry, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Registry's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from American Saddlebred Registry, Inc.'s 2008 financial statements and, in our report dated February 2, 2009 we expressed an unqualified opinion on those financial statements.

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 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 American Saddlebred Registry, Inc. as of December 31, 2009 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 schedule of functional expenses on page 4 and Schedules 1 through 4 is presented for purposes of additional analysis and is 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.

*BENNETT & COMPANY, CPAs*  
Certified Public Accountant

February 4, 2010  
Louisville, Kentucky

AMERICAN SADDLEBRED REGISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR 2008)  
ASSETS

	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 196,498	\$199,286
Accounts receivable	54,687	27,029
Accrued interest receivable	199	622
Prepaid expenses	<u>11,908</u>	<u>15,555</u>
Total current assets	263,292	242,492
Other assets:		
Investments	757,968	694,505
Fixed assets:		
Furniture and equipment	42,000	42,000
Less accumulated depreciation	<u>(42,000)</u>	<u>(42,000)</u>
Total assets	<u>\$1,021,260</u>	<u>\$936,997</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 93,801	\$ 58,006
Unearned fees	<u>5,725</u>	<u>9,520</u>
<b>Total current liabilities</b>	<b>99,526</b>	<b>67,526</b>
Net assets:		
Unrestricted		
Operating	174,360	150,355
Prize funds	<u>747,374</u>	<u>719,116</u>
Total net assets	<u>921,734</u>	<u>869,471</u>
Total liabilities and net assets	<u>\$1,021,260</u>	<u>\$936,997</u>

See accountant's report and notes to financial statements.

AMERICAN SADDLEBRED REGISTRY, INC.  
STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Revenues and Other Support:		
Revenues:		
Registry transactions	\$ 540,259	\$ 597,927
Sale of merchandise	1,195	1,465
Investment	12,329	31,730
Program fees	12,892	13,436
Investment gain	<u>94,218</u>	<u>(196,968)</u>
	660,893	447,590
Support:		
Nomination fees	460,700	484,450
Recording fees	33,250	38,000
Show affiliation fees	<u>14,500</u>	<u>15,000</u>
	<u>508,450</u>	<u>537,450</u>
Total revenues and support	1,169,343	985,040
Expenses:		
Program services:		
Registry programs	529,296	628,789
Futurity programs	272,290	279,698
Sweepstakes programs	240,196	231,081
Grand National programs	<u>75,298</u>	<u>85,483</u>
Total expenses	<u>1,117,080</u>	<u>1,225,051</u>
<b>Change in net assets</b>	<b>52,263</b>	<b>(240,011)</b>
Net assets, beginning of year	<u>869,471</u>	<u>1,109,482</u>
Net assets, end of year	<u>\$ 921,734</u>	<u>\$ 869,471</u>

See accountant's report and notes to financial statements.

AMERICAN SADDLEBRED REGISTRY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>P R O G R A M</u>			<u>S E R V I C E S</u>		<u>Totals</u>	
	<u>Registry</u>	<u>Futurity</u>	<u>Sweep-</u>	<u>Grand</u>	<u>2009</u>	<u>2008</u>	
	<u>Programs</u>	<u>Programs</u>	<u>Stakes</u>	<u>National</u>			
			<u>Programs</u>	<u>Programs</u>			
Professional fees	\$ 6,050					\$ 6,050	\$ 5,200
Legal fees	13,228				13,228	13,925	
Repairs	6,275				6,275	8,064	
Utilities	10,681				10,681	8,044	
Rent	27,936				27,936	27,912	
Office supplies	5,615	\$ 443	\$ 518	\$ 526	7,102	8,259	
Postage/shipping	6,348	3,017	3,922	454	13,741	13,089	
Telephone	5,234				5,234	5,847	
Insurance	9,999				9,999	9,395	
Meetings/conferences	2,596			21	2,617	1,628	
Printing	8,896	113		93	9,102	10,531	
Dues and subscriptions	1,000				1,000	2,533	
Computer fees						957	
Administration	315,644	7,113	7,746	642	331,145	361,468	
Security	416				416	415	
Blood typing/drug testing	81,701	3,810	1,800		87,311	106,982	
Contract fee	1,883				1,883	48,566	
Advertising/promotion	2,022				2,022	1,838	
Prizes and awards	8,095	253,095	220,890	71,968	554,048	564,742	
Bank fees	8,759	3,881	5,320	702	18,662	19,572	
Miscellaneous	1,405	818		892	3,115	1,488	
Webb page/E-mail	5,513				5,513	4,596	
<b>Total Expenses</b>	<b><u>\$529,296</u></b>	<b><u>\$272,290</u></b>	<b><u>\$240,196</u></b>	<b><u>\$75,298</u></b>	<b><u>\$1,117,080</u></b>	<b><u>\$1,225,051</u></b>	

See accountant's report and notes to financial statements.

AMERICAN SADDLEBRED REGISTRY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 52,263	\$(240,011)
Adjustments to reconcile increase net assets to net cash provided by operating activities		
Decrease (increase) in accounts receivable	(27,658)	51,383
Decrease in interest receivable	423	309
Decrease in prepaid expenses	3,647	2,814
Increase (decrease) in accounts payable	35,795	(18,415)
Increase (decrease) in unearned revenue	<u>(3,795)</u>	<u>6,595</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>60,675</u>	<u>(197,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment portfolio	(63,463)	
Transfers out of investment portfolio	<u>          </u>	<u>146,537</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(63,463)</u>	<u>146,537</u>
Net increase (decrease) in cash	(2,788)	(50,788)
Cash, beginning of year	<u>199,286</u>	<u>250,074</u>
Cash, end of year	<u>\$196,498</u>	<u>\$199,286</u>

There were no non-cash investing or financing activities for the years ended December 31, 2009 and 2008.

See accountant's report and notes to financial statements.

AMERICAN SADDLEBRED REGISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1. SUMMARY OF ACCOUNTING POLICIES**

The American Saddlebred Registry, Inc. was organized in 1891. The purpose for which the Registry is organized shall be to (i) establish, maintain and publish a register for the recording of pedigrees and transfers of ownership of American Saddlebred horses; (ii) guard the purity of the breed, develop a high degree of efficiency, and develop high standards in the breeding and raising, and to better the conditions of persons engaged in the breeding and raising of the American Saddlebred horse; and (iii) stimulate, promote interest in, and regulate any and all matters as they may pertain to the history, breeding, exhibition, publicity, use and improvement of the American Saddlebred.

The Registry considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments, consisting primarily of certificates of deposit and U. S. Government Treasury Notes and Mutual Funds are stated at market value.

Inventories represent promotional merchandise for sale, books and magazines. The inventory items are recorded at the lower of cost or market.

Property and equipment are carried at cost. Major renewals and betterments are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. The Registry provides for depreciation of property and equipment on the straight-line method at rates designed to amortize the costs over the useful lives of the assets.

Estimated lives of the respective assets are as follows:

	<u>Years</u>
Furniture and equipment	10
Computer software	5

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.

The Registry is a nonprofit corporation within the terms of Internal Revenue Code Section 501(c)(5) and therefore is not subject to income taxes.

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AMERICAN SADDLEBRED REGISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**Note 2. FINANCIAL STATEMENT PRESENTATION**

**Statement of Financial Position**

In 1997, the American Saddlebred Registry, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the American Saddlebred Registry, Inc. 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) based upon the existence or absence of donor imposed restrictions. As permitted by this new standard, the Registry has discontinued its use of fund accounting for financial statement purposes and has accordingly, reclassified its financial statements to present classes of net assets.

**Accounting for Contributions Received**

The American Saddlebred Registry, Inc. also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1997. In accordance with SFAS No. 116, contributions received are also recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. In addition, the Registry has not received contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets during the current calendar year.

**Note 3. INVESTMENTS**

**Accounting for Investments**

The American Saddlebred Registry, Inc. has previously adopted SFAS No.124,"Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position, rather than at the lower of historical cost or market value. Unrealized gains and losses are included in the change in net assets. At December 31, 2009 and 2008 the Registry's investment portfolio market value was \$90,412 and \$90,411, respectively.

Investments are valued at fair (market) value as of the end of the calendar year. The carrying value represents the book value at which the security has been recorded.

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AMERICAN SADDLEBRED REGISTRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)

**Note 3. INVESTMENTS - continued**

<u>Description</u>	<u>Market Value</u>	
	<u>2009</u>	<u>2008</u>
<b>REGISTRY:</b>		
Equities:		
Merrill Lynch - Money Market	\$ <u>90,412</u>	\$ <u>90,411</u>
Total Registry Funds	\$ <u>90,412</u>	\$ <u>90,411</u>
 <b>GRAND NATIONAL:</b>		
Merrill Lynch Mutual Funds - Equity	\$ <u>182,141</u>	\$ <u>143,475</u>
Total Grand National Funds	\$ <u>182,141</u>	\$ <u>143,475</u>
 <b>FUTURITIES:</b>		
Merrill Lynch Mutual Funds - Equity - Growth	\$ <u>284,002</u>	\$ <u>224,315</u>
Total Futurities Funds	\$ <u>284,002</u>	\$ <u>224,315</u>
 <b>SWEEPSTAKES:</b>		
U. S. Government Securities	\$ 1,413	\$ 41,304
Certificate of Deposit:		
3.44% due 5/29/09		100,000
3.50% due 6/27/09		95,000
2.33% due 7/22/10	100,000	
2.372% due 6/18/10	<u>100,000</u>	_____
Total Sweepstakes Funds	\$ <u>201,413</u>	\$ <u>236,304</u>
<b>Total Investments</b>	<b>\$ <u>757,968</u></b>	<b>\$ <u>694,505</u></b>

**Note 4. RELATED PARTIES**

The Registry manages the programs of American Saddlebred Registry Futurities, American Saddlebred Registry Sweepstakes and American Saddlebred Registry Grand National. In 1980, the Internal Revenue Service notified the Registry that these programs were segments of the Registry and therefore are not subject to federal income taxes.

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AMERICAN SADDLEBRED REGISTRY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2009  
 (Continued)

**Note 4. RELATED PARTIES - Continued**

On April 1, 2005 The American Saddlebred Horse Association, Inc. divested itself of the American Saddlebred Registry, Inc. and the related prize programs (American Saddlebred Registry Futurity, American Saddlebred Registry Sweepstakes, American Saddlebred Registry Grand National). These programs relate to the nonprofit tax exempt status within the terms of the Internal Revenue Code Section 501(c)(5). At that time the Articles of Incorporation were amended to reflect a change in the corporate name and purposes for which the corporation was organized.

**Note 5. FIXED ASSETS**

Depreciation of fixed assets is calculated on the straight-line method over the estimated useful life of the assets. No provision for depreciation expense has been accounted for since the assets are fully depreciated.

	A S S E T S	
	Balance	Balance
	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2009</u>
Furniture/equipment	<u>\$42,000</u>	<u>\$42,000</u>
<b>ACCUMULATED DEPRECIATION</b>		
	Balance	Balance
	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2009</u>
Furniture/equipment	<u>\$42,000</u>	<u>\$42,000</u>

**Note 6. SUMMARIZED COMPARATIVE FINANCIAL STATEMENTS**

The financial statements include certain prior year summarized comparative information in total but not by net asset 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 American Saddlebred Registry, Inc.'s financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**Note 7. ADVERTISING**

The Registry had advertising expense for the years ended December 31, 2009 and 2008 of \$2,022 and \$1,838, respectively.

## AMERICAN SADDLEBRED REGISTRY, INC.

HORSES REGISTERED AND FEES EARNED  
TWENTY-FIVE YEAR SUMMARY

<u>Year Ended</u>	<u>Number of Horses Registered</u>	<u>Registration Fees</u>
Dec. 31, 1985	4,351	\$155,975
Dec. 31, 1986	4,363	171,597
Dec. 31, 1987	3,918	164,015
Dec. 31, 1988	3,811	159,692
Dec. 31, 1989	3,708	173,019
Dec. 31, 1990	3,569	130,364
Dec. 31, 1991	3,570	131,030
Dec. 31, 1992	3,048	130,593
Dec. 31, 1993	3,353	130,580
Dec. 31, 1994	3,192	129,889
Dec. 31, 1995	2,269	112,585
Dec. 31, 1996	3,142	140,584
Dec. 31, 1997	3,213	127,709
Dec. 31, 1998	2,952	137,214
Dec. 31, 1999	2,712	126,325
Dec. 31, 2000	2,908	146,540
Dec. 31, 2001	3,055	155,521
Dec. 31, 2002	2,981	167,419
Dec. 31, 2003	2,758	151,140
Dec. 31, 2004	2,949	165,630
Dec. 31, 2005	2,868	161,185
Dec. 31, 2006	2,860	148,500
Dec. 31, 2007	2,740	151,575
Dec. 31, 2008	2,811	165,375
Dec. 31, 2009	2,249	144,675

AMERICAN SADDLEBRED REGISTRY, INC.

OFFICERS AND DIRECTORS

DECEMBER 31, 2009

Ms. Barbara Molland	-	President and Director
Ms. Lisa Duncan	-	Vice-President and Director
Dr. Margaret McNeese	-	Secretary and Director
Mr. Jimmy Robertson	-	Treasurer and Director
Mr. Alan F. Balch	-	Registrar
Ms. Mary Anne Cronan	-	Director
Ms. Louise Gilliland	-	Director
Mr. Charles Herbert	-	Director
Mr. Brian Reimer	-	Director
Mr. Robert Ruxer	-	Director
Ms. Judy Werner	-	Director
Mr. Art Zubrod	-	Director

AMERICAN SADDLEBRED REGISTRY, INC.

INSURANCE IN FORCE

DECEMBER 31, 2009

Professional liability	\$2,000,000 / \$2,000,000
Directors and officers liabilities	1,000,000 / 1,000,000