

CONTENTS

	<u>Pages</u>
Independent Auditors' Report.....	1
Financial Statements:	
Statements of Financial Position.....	2 - 3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 15

DEAN || DORTON || ALLEN || FORD_{PC}**Independent Auditors' Report**

Board of Directors
 American Saddlebred Horse Association, Inc.
 Lexington, Kentucky

We have audited the accompanying statement of financial position of American Saddlebred Horse Association, Inc. (the Association) as of December 31, 2010, and the related statements of activities and cash flows for the year 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 audit. The financial statements of the Association as of and for the year ended December 31, 2009, were audited by other auditors whose opinion dated February 10, 2010, expressed an unqualified opinion on those statements. The other auditors reported on the 2009 financial statements prior to the restatement discussed below and in Note 2.

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 American Saddlebred Horse Association, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Association has restated its 2009 financial statements during the current year to recognize deferred revenue related to membership income.

June 14, 2011
 Lexington, Kentucky

Dean Dorton Allen Ford, PC

106 West Vine Street
 Suite 600
 Lexington, KY 40507
 859.255.2341 *phone*
 859.255.0125 *fax*

www.ddafcpa.com

First Trust Centre
 200 South Fifth Street
 Suite 201 South
 Louisville, KY 40202
 502.589.6050 *phone*
 502.581.9016 *fax*

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Statements of Financial Position

December 31, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 62,511	\$ 111,878
Accounts receivable:		
Association	5,011	11,194
Magazine	5,577	6,992
Inventory	2,099	2,841
Prepaid expenses	<u>37,117</u>	<u>20,462</u>
Total current assets	112,315	153,367
Noncurrent assets:		
Investments	980,748	1,173,161
Cash surrender value - life insurance	150,941	142,451
Property and equipment, net	<u>1,073,159</u>	<u>1,096,800</u>
Total noncurrent assets	<u>2,204,848</u>	<u>2,412,412</u>
Total assets	<u>\$ 2,317,163</u>	<u>\$ 2,565,779</u>

Liabilities and Net Assets	<u>2010</u>	<u>2009</u>
Current liabilities:		
Accounts payable	\$ 52,773	\$ 67,607
Accrued expenses	29,934	111,306
Deferred revenue	226,072	251,694
Current portion of capital lease payable	<u>62,997</u>	<u>59,000</u>
Total current liabilities	371,776	489,607
Capital lease payable, less current portion	<u>388,179</u>	<u>452,381</u>
Total liabilities	759,955	941,988
Net assets:		
Unrestricted:		
Operating	26,918	101,669
Property and equipment, net	<u>1,073,159</u>	<u>1,096,800</u>
Total unrestricted net assets	1,100,077	1,198,469
Temporarily restricted	257,131	225,322
Permanently restricted	<u>200,000</u>	<u>200,000</u>
Total net assets	<u>1,557,208</u>	<u>1,623,791</u>
Total liabilities and net assets	<u>\$ 2,317,163</u>	<u>\$ 2,565,779</u>

See accompanying notes.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Statements of Activities

Years ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2009</u>
Revenues and other support:					
Revenues:					
Management fees	\$ 270,345	\$ -	\$ -	\$ 270,345	\$ 344,236
Advertising	194,934	-	-	194,934	212,068
Sale of merchandise and services	56,600	-	-	56,600	69,482
Investment	32,938	59,408	-	92,346	159,468
Special event fees	176,947	-	-	176,947	217,970
Royalties	6,468	-	-	6,468	8,205
Rent	27,507	-	-	27,507	32,757
Net assets released from restriction	<u>27,599</u>	<u>(27,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	793,338	31,809	-	825,147	1,044,186
Support:					
Memberships	437,239	-	-	437,239	471,257
Youth programs	33,647	-	-	33,647	30,264
Donations	<u>157,870</u>	<u>-</u>	<u>-</u>	<u>157,870</u>	<u>177,577</u>
	<u>628,756</u>	<u>-</u>	<u>-</u>	<u>628,756</u>	<u>679,098</u>
Total revenues and support	1,422,094	31,809	-	1,453,903	1,723,284
Expenses:					
Program expenses:					
Communications and publications	341,329	-	-	341,329	341,242
Advancement	<u>358,768</u>	<u>-</u>	<u>-</u>	<u>358,768</u>	<u>365,902</u>
Total program expenses	700,097	-	-	700,097	707,144
Administration	<u>820,389</u>	<u>-</u>	<u>-</u>	<u>820,389</u>	<u>851,831</u>
Total expenses	<u>1,520,486</u>	<u>-</u>	<u>-</u>	<u>1,520,486</u>	<u>1,558,975</u>
Change in net assets	(98,392)	31,809	-	(66,583)	164,309
Net assets, beginning of year	<u>1,198,469</u>	<u>225,322</u>	<u>200,000</u>	<u>1,623,791</u>	<u>1,459,482</u>
Net assets, end of year	<u>\$ 1,100,077</u>	<u>\$ 257,131</u>	<u>\$ 200,000</u>	<u>\$ 1,557,208</u>	<u>\$ 1,623,791</u>

See accompanying notes.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Statements of Functional Expenses

Years ended December 31, 2010 and 2009

	Program Services		Supporting Services	Totals	
	Communication and Publication	Advancement	Administration	2010	2009
Salaries	\$ 95,195	\$ 78,982	\$ 328,469	\$ 502,646	\$ 601,341
Payroll taxes	9,211	7,323	33,170	49,704	50,279
Benefits	<u>16,181</u>	<u>13,365</u>	<u>44,092</u>	<u>73,638</u>	<u>100,403</u>
Total salaries and benefits	120,587	99,670	405,731	625,988	752,023
Professional fees	-	-	34,721	34,721	18,750
Legal fees	-	-	79,676	79,676	46,944
Settlement expense	-	-	53,004	53,004	-
Repairs	-	-	4,513	4,513	6,788
Utilities	-	-	7,059	7,059	10,731
Rent	-	-	4,104	4,104	4,676
Office supplies	553	370	10,879	11,802	10,654
Postage	8,597	-	14,833	23,430	25,399
Telephone	-	-	4,734	4,734	6,425
Insurance	-	-	12,003	12,003	9,994
Meetings and conferences	28,996	175,423	9,971	214,390	191,093
Travel	-	3,087	1,328	4,415	7,080
Printing	128,244	687	6,149	135,080	151,312
Equipment repairs	-	-	2,245	2,245	4,147
Dues and subscriptions	-	150	649	799	1,138
Computer fees	-	-	27,995	27,995	32,052
Security	-	-	416	416	416
Photography	-	-	-	-	115
Scholarships	-	27,500	-	27,500	25,898
Commissions	17,801	-	-	17,801	25,148
Contract fee	6,528	7,237	-	13,765	11,745
Depreciation and amortization	-	-	99,699	99,699	94,981
Video and tapes	-	472	-	472	862
Advertising and promotion	-	44,925	228	45,153	11,672
Prizes and awards	-	1,109	748	1,857	1,706
Donations	-	9,500	-	9,500	20,352
Bank fees	-	-	17,584	17,584	18,622
Interest expense	-	-	22,120	22,120	23,935
Lordosis	-	(15,000)	-	(15,000)	15,000
Web page and email	<u>30,023</u>	<u>3,638</u>	-	<u>33,661</u>	<u>29,317</u>
Total	\$ <u>341,329</u>	\$ <u>358,768</u>	\$ <u>820,389</u>	\$ <u>1,520,486</u>	\$ <u>1,558,975</u>

See accompanying notes.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (66,583)	\$ 164,309
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	99,699	94,981
Unrealized gains on investments	(74,696)	(146,453)
Increase in cash surrender value life insurance	(8,490)	(8,495)
Increase (decrease) in cash due to changes in:		
Accounts receivable	7,598	5,849
Inventory	742	59
Prepaid expenses	(16,655)	15,768
Accounts payable	(14,834)	(78,640)
Accrued expenses	(81,372)	111,306
Deferred revenue	<u>(25,622)</u>	<u>(25,622)</u>
Net cash (used in) provided by operating activities	<u>(180,213)</u>	133,062
Cash flows from investing activities:		
Purchase of property and equipment	(76,058)	(188,622)
Decrease in investments, net	<u>267,109</u>	<u>139,161</u>
Net cash provided by (used in) investing activities	<u>191,051</u>	(49,461)
Cash flows from financing activities:		
Payments on capital leases	<u>(60,205)</u>	<u>(57,701)</u>
Net cash used in financing activities	<u>(60,205)</u>	<u>(57,701)</u>
Net (decrease) increase in cash	(49,367)	25,900
Cash, beginning of year	<u>111,878</u>	<u>85,978</u>
Cash, end of year	<u>\$ 62,511</u>	<u>\$ 111,878</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 22,120	\$ 23,935

See accompanying notes.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements

1. Description of the Organization

The American Saddlebred Horse Association, Inc. (the Association) was incorporated within the Commonwealth of Kentucky on April 18, 1990. The purposes for which the corporation is organized shall be exclusively charitable, educational, and scientific within the meaning of Section 501(c)(3) of the Internal Revenue Code. To that end the corporation shall have the purposes of safeguarding the integrity, and expanding the knowledge of the American Saddlebred; educating the general public in the exhibiting, use, and history of American Saddlebred horses and the improvement of the breed; promoting the humane treatment of American Saddlebred horses; stimulating and promoting interest in all matters pertaining to the history, breeding, exhibiting, and improvement of the breed; encouraging safe equestrian activities; educating youth with respect to safe and proper horsemanship and the showing of horses by promoting the formation of youth associations and the dissemination of educational materials; and awarding scholarships to participants in youth horse programs.

The Association currently provides space for The American Saddlebred Registry, Inc. and the related prize programs - American Saddlebred Registry Futurities, American Saddlebred Registry Sweepstakes and the American Saddlebred Registry Grand National.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Association in the preparation of its financial statements:

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Association.

Temporarily restricted net assets: Net assets whose use by the Association is subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Investments

Investments in equity securities having readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted net assets and then released from restriction. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Cash Surrender Value Life Insurance

The Association has purchased insurance on the life of a former employee. As beneficiary, the Association receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at approximate fair value at the date of donation less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Building improvements are amortized over the life of the related building. The gain or loss on the sale of property and equipment is recorded in the year of disposal.

Revenue Recognition

Advertising revenue is recognized once publications are printed. Membership dues are recorded when received and the membership period coincides with the current billing cycle. One-twelfth of membership dues for each billing cycle is recognized monthly as revenue corresponding to the membership period. A deferred revenue account is maintained to account for dues received but not yet earned at year end. Special events revenue is recognized at the time of the event. A deferred revenue account is maintained for fees received but not yet earned at year end.

Income Taxes

The Association is organized and operated for purposes identified in Section 501(c)(3) of the Internal Revenue Code and has been so recognized by the Internal Revenue Service. It is not subject to income tax on its income that is not classified as unrelated business income in as described in Sections 511-514 of the Internal Revenue Code.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Association has evaluated the tax positions taken on all income tax returns that remain open to examination by the respective taxing authorities. The Association does not believe that there are any uncertain positions on those returns that require recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through June 14, 2011, the date that the financial statements were available to be issued. There were no events occurring during the evaluation period that require recognition or disclosure in the financial statements.

Restatement and Reclassifications

During 2010, the Association became aware that deferred revenue related to membership income had not been properly recorded in prior years. The correction of this error was to increase deferred revenue and decrease unrestricted net assets for 2009 and 2008 by \$176,256 and \$196,078, respectively. The effect on the 2009 statement of activities was to increase the change in net assets by \$19,822.

Certain other amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation with no effect on total assets, total liabilities and net assets, or change in net assets.

3. Investments

The fair values of investments as of December 31, 2010 and 2009 are summarized as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2010:</u>				
Money market funds	\$ 181,033	\$ 181,033	\$ -	\$ -
Corporate stocks	30,639	30,639	-	-
Mutual funds	<u>769,076</u>	<u>769,076</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>980,748</u>	\$ <u>980,748</u>	\$ <u>-</u>	\$ <u>-</u>

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

3. Investments, continued

<u>December 31, 2009:</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Money market funds	\$ 458,945	\$ 458,945	\$ -	\$ -
Corporate stocks	22,622	22,622	-	-
Mutual funds	691,594	691,594	-	-
Total assets	\$ 1,173,161	\$ 1,173,161	\$ -	\$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach.

4. Donor-Designated Endowments

The Association's endowment consists of two individual funds established for youth, education, handicap riding programs, and genetic research. Its endowment includes donor-restricted funds only. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

4. Donor-Designated Endowments, continued

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5-7%, while growing the funds if possible. Therefore, the Association expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Association has a policy of appropriating for distribution each year 5-7% of its endowment fund's fair value of the beginning of each year. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

4. Donor-Designated Endowments, continued

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>129,584</u>	\$ <u>200,000</u>	\$ <u>329,584</u>

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>112,063</u>	\$ <u>200,000</u>	\$ <u>312,063</u>

Changes in endowment net assets as of December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 112,063	\$ 200,000	\$ 312,063
Net appreciation	-	34,654	-	34,654
Amounts appropriated for expenditure	<u>-</u>	<u>(17,133)</u>	<u>-</u>	<u>(17,133)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>129,584</u>	\$ <u>200,000</u>	\$ <u>329,584</u>

Changes in endowment net assets as of December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 46,660	\$ 200,000	\$ 246,660
Net appreciation	-	66,627	-	66,627
Amounts appropriated for expenditure	<u>-</u>	<u>(1,224)</u>	<u>-</u>	<u>(1,224)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>112,063</u>	\$ <u>200,000</u>	\$ <u>312,063</u>

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

5. Property and Equipment, Net

Property and equipment as of December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Buildings	\$ 800,110	\$ 800,110
Building improvements	203,202	195,140
Furniture and equipment	448,693	436,122
Software and web page	<u>260,399</u>	<u>204,974</u>
	1,712,404	1,636,346
Accumulated depreciation and amortization	<u>(639,245)</u>	<u>(539,546)</u>
Property and equipment, net	<u>\$ 1,073,159</u>	<u>\$ 1,096,800</u>

6. Employee Retirement Plan

The Association established a Simple-IRA plan on November 1, 1998 which allows employees to participate with tax deferred contributions and the Association is limited to a 3% employer contribution. Merrill Lynch serves as the trustee of the Association's Simple-IRA plan. The Association's expense was \$12,260 and \$12,821, for the years ended December 31, 2010 and 2009, respectively.

7. Capital Leases

The Association leases building space of approximately 6,275 square feet under a capital lease agreement expiring December 31, 2018. The Association has the option to purchase the leased premises and the undivided one-half interest of all common areas at the end of the 18 year term for a sum of \$1,000. At December 31, 2010 and 2009, the principal balance remaining on this lease was \$434,409 and \$478,437, respectively. As of December 31, 2010, the net book value of the Associations interest in this building is \$183,134.

The Association leases office equipment under a lease expiring December 31, 2011. At December 31, 2010 and 2009, the principal balance remaining on this lease was \$16,767 and \$32,944, respectively. As of December 31, 2010, the total net book value of equipment under capital lease is \$38,841.

Amortization expense on these leased assets is included in depreciation and amortization expense on the statements of functional expenses.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

7. Capital Leases, continued

Future minimum payments on capital leases are as follows:

2011	\$	81,752
2012		64,657
2013		64,657
2014		64,657
2015		64,657
Thereafter		<u>193,486</u>
Total minimum lease obligations		533,866
Less amount representing interest		<u>(82,690)</u>
Present value of net minimum lease obligation		451,176
Less current maturities		<u>(62,997)</u>
Total minimum lease obligations	\$	<u>388,179</u>

8. Related Parties

The Association received \$263,663 and \$315,644 in fees in 2010 and 2009, respectively from the Registry to pay for the time and staffing that Association employees expended doing work for the Registry. As of December 31, 2010 and 2009, the Association had amounts receivable from the Registry of \$4,673 and \$13,409, respectively. The Association also had an agreement with a related party to receive management fees for a shared employee. The Association received fees of \$6,682 and \$28,592 in 2010 and 2009, respectively. This agreement was terminated in February 2010.

9. Deferred Compensation Agreement

On September 10, 1992 the American Saddlebred Horse Association, Inc. entered into a deferred compensation agreement with a former employee. The contract has no payments remaining. The Association funded this contract through a life insurance policy on the life of the employee. As of December 31, 2010 and 2009, the total life insurance protection is \$245,420 with a net cash value of \$150,941 and \$142,451, respectively.

On October 31, 2007, an employment agreement and deferred compensation package was entered into between the Association and a former employee. The contracts had a five year term beginning November 1, 2006 and ending October 31, 2011 that stipulated duties, compensation and deferred compensation, benefits and termination. The employee resigned in February 2010 and this agreement was terminated. Included in 2010 legal expenses is approximately \$50,000 related to an out-of-court settlement agreement with the former executive director.

AMERICAN SADDLEBRED HORSE ASSOCIATION, INC.

Notes to the Financial Statements, continued

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Lordosis Fund	\$ 43,068	\$ 43,110
Goth Fund	26,514	20,921
Scholarship	33,510	22,989
Equine Welfare	24,455	26,240
Belle Elegant	89,632	85,636
Genetic Research	<u>39,952</u>	<u>26,426</u>
 Total	 \$ <u>257,131</u>	 \$ <u>225,322</u>

Net assets were released from donor restrictions (scholarships, research, educational purposes and other programs) when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors.

Permanently restricted net assets consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Belle Elegant	\$ 100,000	\$ 100,000
Genetic Research	<u>100,000</u>	<u>100,000</u>
 Total	 \$ <u>200,000</u>	 \$ <u>200,000</u>