

Audited Financial Statements

2021

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021



Audited Financial Statements

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(Formerly Known As American Saddlebred Horse Association, Inc.)

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Independent Auditors' Report

Board of Directors
American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)
Lexington, Kentucky

Opinion

We have audited the accompanying financial statements of American Saddlebred Horse and Breeders Association, Inc. (the "Association"), (Formerly Known As American Saddlebred Horse Association, Inc.) which are comprised of the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Merger of Association and Registry

As discussed in Note A, during 2021, the Association merged with the American Saddlebred Registry, Inc. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Strothman and Company

Louisville, Kentucky
October 10, 2022

Statement of Financial Position

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Assets

Cash	\$	316,626
Restricted cash		13,873
Cash - prize funds		420,659
Accounts receivable		635
Prepaid expenses		32,706
Investments		1,393,123
Property and equipment, net		<u>513,822</u>

Total Assets \$ 2,691,444

Liabilities and Net Assets

Liabilities

Accounts payable	\$	30,915
Accrued expenses		35,504
Deferred revenue		63,862
Obligations to prize fund		<u>420,659</u>

Total Liabilities 550,940

Net Assets

Without donor restrictions		1,291,922
With donor restrictions		<u>848,582</u>

Total Net Assets 2,140,504

Total Liabilities and Net Assets \$ 2,691,444

See Notes to Financial Statements

Statement of Activities

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

Year Ended December 31, 2021

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Revenues			
Management fees	\$ 39,491		\$ 39,491
Journal revenue	172,160		172,160
Other fees revenue	10,320		10,320
State fair	100,050		100,050
Special event fees	113,781		113,781
Rent	5,205		5,205
Prize program	389,651		389,651
Registry revenue	348,327		348,327
Miscellaneous	104,428		104,428
	<u>1,283,413</u>		<u>1,283,413</u>
Total Revenues			
Support			
Net investment return	52,273	\$ 92,381	144,654
Memberships	162,164		162,164
Youth programs	1,090		1,090
Donations	211,664		211,664
Net Assets Released from Restrictions	3,874	(3,874)	
	<u>431,065</u>	<u>88,507</u>	<u>519,572</u>
Total Support			
Total Revenues and Support			
	1,714,478	88,507	1,802,985
Expenses			
Program services			
Communications and publications	295,517		295,517
Advancement	601,062		601,062
Technology	39,887		39,887
Registry programs	460,506		460,506
	<u>1,396,972</u>		<u>1,396,972</u>
Total Program Services Expenses			
Administration	246,206		246,206
Fundraising	108,882		108,882
	<u>1,752,060</u>		<u>1,752,060</u>
Total Expenses			
Other Income			
Paycheck Protection Program loan forgiveness	144,916		144,916
	<u>144,916</u>		<u>144,916</u>
Change in Net Assets			
	107,334	88,507	195,841
Registry Net Assets (as of date of merger)			
	41,373		41,373
Net Assets Beginning of Year			
	<u>1,143,215</u>	<u>760,075</u>	<u>1,903,290</u>
Net Assets End of Year			
	<u>\$ 1,291,922</u>	<u>\$ 848,582</u>	<u>\$ 2,140,504</u>

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

	Program Services				Total Program Services	Administration	Fundraising	Totals
	Communications and Publications	Advancement Programs	Technology Programs	Registry Programs				
Salaries	\$ 203,149	\$ 269,290			\$ 472,439	\$ 124,208	\$ 54,930	\$ 651,577
Payroll taxes	16,255	21,548			37,803	9,939	4,395	52,137
Benefits	24,211	32,093			56,304	14,803	6,546	77,653
Total Salaries and Benefits	243,615	322,931			566,546	148,950	65,871	781,367
Advertising and promotion		76,402			76,402	20,087	8,883	105,372
Bank charges	13,088	17,349		\$ 2,450	32,887	8,002	3,539	44,428
Blood Typing - DNA				32,192	32,192			32,192
Computer fees			\$ 6,568		6,568	1,727	764	9,059
Computer supplies	4,600	6,097			10,697	2,812	1,244	14,753
Contract labor				6,198	6,198			6,198
Depreciation and amortization			33,319		33,319	8,760	3,874	45,953
Dues and subscriptions	847	1,123		240	2,210	518	229	2,957
Insurance	10,325	13,686			24,011	6,313	2,792	33,116
Internet	1,424	1,888		3,093	6,405	871	385	7,661
Judge Clinic expenses		6,150			6,150	1,617	715	8,482
Meetings and conferences		10,955			10,955	2,880	1,274	15,109
Miscellaneous				1,531	1,531			1,531
Office supplies	5,845	7,748		2,848	16,441	3,573	1,581	21,595
Payroll processing fees	1,410	1,869			3,279	862	381	4,522
Postage and shipping	2,289	3,034		2,064	7,387	1,400	619	9,406
Printing	2,808	3,722		4,252	10,782	1,717	759	13,258
Prizes and awards		69,153		389,651	458,804	18,181	8,040	485,025
Professional fees		31,646		12,987	44,633	8,320	3,680	56,633
Repairs and maintenance	3,374	4,472			7,846	2,063	912	10,821
Security	440	584			1,024	269	119	1,412
Telephone	1,443	1,913		3,000	6,356	882	390	7,628
Travel		15,026			15,026	3,951	1,747	20,724
Utilities	4,009	5,314			9,323	2,451	1,084	12,858
Total	\$ 295,517	\$ 601,062	\$ 39,887	\$ 460,506	\$ 1,396,972	\$ 246,206	\$ 108,882	\$ 1,752,060

See Notes to Financial Statements

Statement of Cash Flows

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

Year Ended December 31, 2021

Operating Activities	
Change in net assets	\$ 195,841
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	45,953
Realized and unrealized gains on investments	(163,254)
Changes in	
Accounts receivable	28,466
Prepaid expenses	(28,618)
Accounts payable	13,262
Accrued expenses	12,422
Obligations to prize funds	420,659
Deferred revenue	<u>10,081</u>
Net Cash Provided By Operating Activities	534,812
Investing Activities	
Proceeds from sales of investments	201,089
Purchases of investments	(201,590)
Payments for website in progress	(12,500)
Purchase of property and equipment	<u>(4,510)</u>
Net Cash Used In Investing Activities	(17,511)
Financing Activities	
Transfer of Registry cash and cash equivalents on merger	593,788
Transfer to Registry Trust	<u>(552,165)</u>
Net Cash Provided By Financing Activities	<u>41,623</u>
Net Increase in Cash and Cash Equivalents	558,924
Cash and Cash Equivalents Beginning of Year	<u>192,234</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 751,158</u></u>
Cash and cash equivalents - unrestricted	\$ 316,626
Cash and cash equivalents - restricted	13,873
Cash and cash equivalents - prize funds	<u>420,659</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 751,158</u></u>

See Notes to Financial Statements

Notes to Financial Statements

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note A--Nature of Operations

The purposes for which the American Saddlebred Horse and Breeders Association, Inc. (the "Association"), (Formerly Known As American Saddlebred Horse Association, Inc.), was organized shall be exclusively charitable, educational, and scientific within the meaning of Section 501 (c)(3) of the Internal Revenue Code ("IRC"). To that end, the Association shall have the purposes of advancing, promoting, improving and protecting the grace, intelligence and versatility of the American Saddlebred, and providing programs and services supporting our members, while fostering public awareness of the breed. Further, to guarantee the purity of the breed through the establishment, maintenance, and publication of an accurate register for the recording of pedigrees and the transfers of ownership of the American Saddlebred horse. The Association shall, in addition, administer the recognition and prize programs associated with the breed. The Association's primary revenue sources are memberships, advertising sales, donations, registration of Saddlebred horses and nomination fees.

The American Saddlebred Registry, Inc. was organized to guarantee the purity of the breed through the establishment, maintenance, and publication of accurate register for the recording of pedigrees and the transfer of ownership of the American Saddlebred horse.

On February 18, 2021, the American Saddlebred Horse Association, Inc. and the American Saddlebred Registry, Inc. (the "Registry") merged operations and the resulting entity is the American Saddlebred Horse and Breeders Association, Inc. The Registry transferred net assets of \$41,373 to the Association at the time of the merger.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The *Accounting Standards Codification* ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative generally accepted accounting principles for non-profit entities.

Donor-Imposed Restrictions--The Association records and reports its assets, net assets, and revenues based on the existence or absence of donor-imposed restrictions.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Funds of Perpetual Duration assets include those contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note B--Summary of Significant Accounting Policies—Continued

Accounts Receivable--Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to expense and a credit to an allowance for doubtful accounts receivable based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. There was no allowance for doubtful accounts receivable as of December 31, 2021.

Investment Valuation and Income Recognition--Investments in equity securities and in debt securities are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments are made according to the investment policies adopted by the Association's Board of Directors. These guidelines outline the allowable securities the Association can invest in and authorize retaining an investment advisor to assume investment management functions.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statement of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment--Property and equipment purchased by the Association is stated at cost. Property and equipment donated to the Association is stated at estimated fair value at the date of the donation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are as follows:

Building	39 years
Building improvements	Up to 15 years
Furniture and fixtures	Up to 7 years
Office equipment	2 – 5 years

The cost of normal repairs and maintenance is charged to operating expense as incurred. Acquisitions of property and equipment in excess of \$500 that meet the requirements are capitalized. Depreciation and amortization expense for the year ended December 31, 2021 was \$45,953.

Impairment of Long-Lived Assets--Management of the Association reviews for the impairment of the long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition, are less than the carrying amount. There were no charges for impairment of long-lived assets during 2021.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note B--Summary of Significant Accounting Policies--Continued

Agency Relationships--The Association (previously the Registry) acts in an agency capacity for the Sweepstakes and Futurities programs. This includes the collection of all cash, payment of prize money and the record keeping for all facets of these programs. Interest accrued on the entries received in these programs are used to support the activities of the Association. Events for these programs occur on an annual basis in order to encourage the breeding and showing of American Saddlebred horses. Throughout the year, the Association receives cash for entries into the sweepstakes and futurities program for a particular year. These amounts are then given out each year as prize money in the designated year. Prizes for future periods are reflected on the Association's statement of financial position as assets and liabilities. The Association had \$420,659 of such funds recorded as assets and liabilities for the year ended December 31, 2021.

Revenue Recognition--The Association recognizes revenue from exchange transactions, primarily advertisements, events and membership dues, when the earnings process is complete and goods have been delivered or services performed. Advertising revenue is recognized once publications are printed. Special events revenue is recognized at the time of the event. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total fees paid and the exchange element. The Association recognizes the exchange portion of membership fees as revenue over the membership period (which is normally one year from date of purchase), and the associated contribution revenue when received.

Membership fees related to the exchange element of the transaction that carry member benefits which can be utilized in future periods have been recorded as deferred program revenue in the statement of financial position.

Revenue from Registry transactions are recorded as income when earned. Revenue for nomination fees is recorded as income over the applicable period of time. These fees are intended to cover the registered status of the horses.

Contributions--Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Continued

Notes to Financial Statements--Continued

**American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)**

December 31, 2021

Note B--Summary of Significant Accounting Policies--Continued

Income Taxes--The Association qualifies as a tax-exempt organization under Section 501 (c)(3) of the IRC; therefore, no provision for federal or state income taxes has been made. Although the Association is exempt from income taxes, any income generated from activities unrelated to its exempt purpose is subject to tax under IRC Section 511. For the year ended December 31, 2021, the Association did not have unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Generally accepted accounting principles prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There is no impact on the Association's financial statements as a result of the implementation of these accounting principles.

Functional Allocation of Expenses--The cost of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include management fees, rent, telephone, insurance, and utilities, which are allocated based on estimated time and effort. Administration expenses include those expenses that are not directly identifiable with the Association's program, but provide for the overall support and direction of the Association. Although the methods used were appropriate, alternative methods may have provided different results.

Advertising--The Association expenses advertising costs when incurred.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note C--Investments and Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value, and expand the disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Observable inputs other than Level 1 and Level 2, that are not actively traded, and significant other observable inputs are not available.

The fair values of investments as of December 31, 2021 are summarized as follows:

	Fair Value Measurement Using:	
	Fair Value	Quoted Prices in Active Markets (Level 1)
Equities	\$ 891,028	\$ 891,028
Fixed income	403,466	403,466
Cash and cash alternatives	68,669	68,669
Other	29,960	29,960
	<u>\$ 1,393,123</u>	<u>\$ 1,393,123</u>

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note C--Investments and Fair Value Measurements--Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment securities are exposed to various risks such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Association.

The table below provides detail of the net investment return presented in the accompanying statement of activities during 2021.

Interest and dividend income	\$	19,758
Realized gains		856
Unrealized gains		141,019
Investment fees		<u>(16,979)</u>
	\$	<u>144,654</u>

Note D--Property and Equipment

As of December 31, 2021, property and equipment consist of the following:

Buildings	\$	863,175
Building improvements		207,652
Furniture and equipment		170,342
Software and web page		<u>480,911</u>
		1,722,080
Accumulated depreciation and amortization		<u>(1,220,758)</u>
		501,322
Construction in progress		<u>12,500</u>
		513,822
Property and Equipment, Net	\$	<u>513,822</u>

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note E--Net Assets with Donor Restrictions

As of December 31, 2021, net assets are restricted for the following purposes:

Subject to Expenditure for Specified Purpose

Belle Elegant	\$ 247,634
Lordosis Fund	16,816
Goth Fund	2,049
Scholarship	68,316
Equine Welfare	40,177
Genetic Research	130,423
Vera Gatch Fund	134,778
Riding Program	8,389

648,582

**Subject to Endowment Spending
Policy and Appropriations**

Belle Elegant	100,000
Genetic Research	100,000

200,000

Total Net Assets With Donor Restrictions \$ 848,582

Net assets were released from donor restrictions during 2021 (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.

Note F--Endowments

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). They also require additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note F--Endowments--Continued

Endowment Funds

The Association's investment and management of donor-restricted endowment funds is governed by UPMIFA and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA.

Endowment Investment and Spending Policy

The Association has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a systematic and growing stream of funds to the Association to support its activities. The investment policy guidelines utilize a balanced approach that provides a range and a target asset mix between cash equivalents, fixed income and equity investments. Earnings on endowment investments are available to support the endowments' purposes and management has historically accessed those earnings annually.

Changes in endowment net assets are as follows:

Balance at January 1, 2021	\$ 200,000
Endowment investment return	67,174
Appropriated for expenditure	<u>(67,174)</u>
Total Change in Endowment Funds for the Year	<u> </u>
Balance at December 31, 2021	<u><u>\$ 200,000</u></u>

Note G--Employee Retirement Plan

The Association maintains a Simple-IRA plan which allows employees to participate with tax deferred contributions and the Association is limited to a 3% employer contribution. The Association's expense was \$11,435 for the year ended December 31, 2021.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note H--Paycheck Protection Program Loan and EIDL Advance

In January 2021, the Association obtained a second Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan of \$144,916. The PPP loan, when used for certain expenses (payroll, retirement contributions, health insurance costs, rent and utilities), can be forgiven.

The Association received confirmation of forgiveness of this loan from the SBA on July 2021 for 100% of the balance. Management therefore elected to account for this unique lending vehicle as a government grant, for which the Association recognized other income for the year ended December 31, 2021.

Note I--Related Party Transactions

Prior to merger of the Registry, the American Saddlebred Horse Association Inc., received \$39,491 in management fees during 2021 from the Registry to pay for the time and expenses that its employees expended providing services to the Registry. The American Saddlebred Horse Association, Inc. charged rent to the Registry for the use of office space and office equipment totaling \$5,205 for the period prior to merger.

Note J--Contingencies

In March 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its operations and financial results for 2021. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impacts of COVID-19 are unknown, cannot be reasonably estimated, and are still developing.

Note K--Liquidity and Availability of Financial Assets

The Association's major sources of support are membership dues, donations, and investment income. Even though support can fluctuate significantly from year to year, the Association has a strong cash position to cover its monthly financial obligations.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note K--Liquidity and Availability of Financial Assets--Continued

The following table reflects the Association's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

Cash	\$ 316,626
Accounts receivable, to be collected in less than one year	635
Investments	<u>1,325,060</u>
Total Financial Assets, Excluding Noncurrent Receivables	1,642,321
Contractual or donor-imposed restrictions:	
Endowment fund investments	<u>(848,582)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 793,739</u>

Note L--Concentrations

The Association maintains its cash deposits with two financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The Association had cash deposits in excess of federally insured limits by approximately \$384,000 at December 31, 2021.

Note M--Future Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This new standard, which the Association is not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statements of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases.

On September 17, 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities* (Topic 958). This new standard, which the Association is not required to adopt until its year ending December 31, 2022, is intended to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets.

The Association is evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.
(Formerly Known As American Saddlebred Horse Association, Inc.)

December 31, 2021

Note N--Subsequent Events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Association through October 10, 2022 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Subsequent to year ended December 31, 2021, the Association applied for reimbursement of payroll taxes on 2021 and prior payrolls under the Employee Retention Credit ("ERC"), approximately \$135,000. The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid Relief and Economic Security Act (the "CARES Act") and further amended by the Consolidated Appropriations Act ("CAA") and American Rescue Plan ("ARP"). The Association considers it has met the ERC's eligibility requirements and considers this transaction to be a conditional grant. However, laws and regulations concerning government programs, including the Employee Retention Credit, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Association's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Association's financial position or results of operations. Accordingly, Association has not recognized the grant in the financial statements for the year ended December 31, 2021. The Association will recognize the grant in the year of receipt. The Association's application is in processing as of the date of these financial statements.