

2022

Audited Financial Statements

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021



Audited Financial Statements

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December 31, 2022 and 2021

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of American Saddlebred Horse and Breeders Association, Inc. (the "Association"), which are comprised of the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note B, the Association adopted the requirements of Financial Accounting Standards Board Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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 GAAP; 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 the 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 GAAS 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 GAAS, 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 the 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 the 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
November 29, 2023

Statements of Financial Position

American Saddlebred Horse and Breeders Association, Inc.

| | December 31 | |
|-----------------------------------|---|---|
| | 2022 | 2021 |
| Assets | | |
| Cash | \$ 272,616 | \$ 316,626 |
| Restricted cash | 6,518 | 13,873 |
| Cash - prize funds | 322,632 | 420,659 |
| Accounts receivable | 207,167 | 635 |
| Prepaid expenses | 36,101 | 32,706 |
| Investments | 1,373,394 | 1,393,123 |
| Property and equipment, net | 485,513 | 513,822 |
| | Total Assets | Total Assets |
| | <u>\$ 2,703,941</u> | <u>\$ 2,691,444</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 45,116 | \$ 30,915 |
| Accrued expenses | 31,880 | 35,504 |
| Deferred revenue | 131,329 | 63,862 |
| Obligations to prize fund | 322,632 | 420,659 |
| | Total Liabilities | Total Liabilities |
| | 530,957 | 550,940 |
| Net Assets | | |
| Without donor restrictions | 1,395,791 | 1,291,922 |
| With donor restrictions | 777,193 | 848,582 |
| | Total Net Assets | Total Net Assets |
| | <u>2,172,984</u> | <u>2,140,504</u> |
| | Total Liabilities and Net Assets | Total Liabilities and Net Assets |
| | <u>\$ 2,703,941</u> | <u>\$ 2,691,444</u> |

See Notes to Financial Statements

Statements of Activities

American Saddlebred Horse and Breeders Association, Inc.

| | Year Ended December 31 | | | | | |
|---|---|--|---------------------|--------------------------------|--|---------------------|
| | 2022 | | | 2021 | | |
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total | Net Assets Without Donor | Net Assets With Donor Restrictions | Total |
| Revenues and Support | | | | | | |
| Revenues | | | | | | |
| Management fees | | | | \$ 39,491 | | \$ 39,491 |
| Journal revenue | \$ 144,119 | | \$ 144,119 | 172,160 | | 172,160 |
| Other fees revenue | 9,432 | | 9,432 | 10,320 | | 10,320 |
| Special events net of related expenses of \$74,802 (2022) and \$8,530 (2021) | 68,788 | | 68,788 | 188,016 | | 188,016 |
| Rent | 969 | | 969 | 5,205 | | 5,205 |
| Prize program | 604,305 | | 604,305 | 391,166 | | 391,166 |
| Registry revenue | 528,756 | | 528,756 | 459,978 | | 459,978 |
| Miscellaneous | 7,494 | | 7,494 | 8,546 | | 8,546 |
| Total Revenues | 1,363,863 | | 1,363,863 | 1,274,882 | | 1,274,882 |
| Support | | | | | | |
| Net investment return (loss) | (42,361) | \$ (110,622) | (152,983) | 52,273 | \$ 92,381 | 144,654 |
| Memberships | 168,190 | | 168,190 | 162,164 | | 162,164 |
| Youth programs | 25,986 | | 25,986 | 1,090 | | 1,090 |
| Donations | 316,687 | 100,000 | 416,687 | 37,414 | | 37,414 |
| Donations of nonfinancial assets | 247,378 | | 247,378 | 174,250 | | 174,250 |
| Net Assets Released from Restrictions | 60,767 | (60,767) | | 3,874 | (3,874) | |
| Total Support | 776,647 | (71,389) | 705,258 | 431,065 | 88,507 | 519,572 |
| Total Revenues and Support | 2,140,510 | (71,389) | 2,069,121 | 1,705,947 | 88,507 | 1,794,454 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Communications and publications | 301,007 | | 301,007 | 295,517 | | 295,517 |
| Advancement | 674,521 | | 674,521 | 594,912 | | 594,912 |
| Technology | 37,394 | | 37,394 | 39,887 | | 39,887 |
| Registry programs | 857,039 | | 857,039 | 460,457 | | 460,457 |
| Total Program Services Expenses | 1,869,961 | | 1,869,961 | 1,390,773 | | 1,390,773 |
| Administration | 212,111 | | 212,111 | 244,589 | | 244,589 |
| Fundraising | 92,386 | | 92,386 | 108,167 | | 108,167 |
| Total Expenses | 2,174,458 | | 2,174,458 | 1,743,529 | | 1,743,529 |
| Other Income | | | | | | |
| Employee Retention Tax Credit | 137,817 | | 137,817 | | | |
| Paycheck Protection Program loan forgiveness | | | | 144,916 | | 144,916 |
| Total Other Income | 137,817 | | 137,817 | 144,916 | | 144,916 |
| Change in Net Assets | 103,869 | (71,389) | 32,480 | 107,334 | 88,507 | 195,841 |
| Registry Net Assets (as of date of merger) | | | | 41,373 | | 41,373 |
| Net Assets Beginning of Year | 1,291,922 | 848,582 | 2,140,504 | 1,143,215 | 760,075 | 1,903,290 |
| Net Assets End of Year | \$ 1,395,791 | \$ 777,193 | \$ 2,172,984 | \$ 1,291,922 | \$ 848,582 | \$ 2,140,504 |

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse and Breeders Association, Inc.

Year Ended December 31, 2022

| | Program Services | | | | Total Program Services | Administration | Fundraising | Totals |
|--|---------------------------------------|-------------------------|------------------------|----------------------|------------------------------|-------------------|------------------|---------------------|
| | Communications and Publications | Advancement Programs | Technology Programs | Registry Programs | | | | |
| Salaries | \$ 196,409 | \$ 260,359 | | | \$ 456,768 | \$ 117,141 | \$ 51,022 | \$ 624,931 |
| Payroll taxes | 13,178 | 17,469 | | | 30,647 | 7,860 | 3,423 | 41,930 |
| Benefits | 28,425 | 37,680 | | | 66,105 | 16,953 | 7,384 | 90,442 |
| Total Salaries and Benefits | 238,012 | 315,508 | | | 553,520 | 141,954 | 61,829 | 757,303 |
| Advertising and promotion | | 62,750 | | | 62,750 | 16,093 | 7,009 | 85,852 |
| Bank charges | 15,160 | 20,095 | | \$ 20 | 35,275 | 9,041 | 3,938 | 48,254 |
| Blood Typing - DNA | | | | 47,844 | 47,844 | | | 47,844 |
| Computer fees | | | \$ 2,552 | | 2,552 | 654 | 285 | 3,491 |
| Computer supplies | 653 | 866 | | | 1,519 | 390 | 170 | 2,079 |
| Contract labor | 446 | | | | 446 | 114 | 50 | 610 |
| Depreciation and amortization | | | 34,842 | | 34,842 | 7,690 | 3,349 | 45,881 |
| Donations | 5,509 | 7,302 | | | 12,811 | 3,286 | 1,431 | 17,528 |
| Dues and subscriptions | 879 | 1,166 | | 342 | 2,387 | 524 | 228 | 3,139 |
| Insurance | 10,285 | 13,633 | | | 23,918 | 6,134 | 2,672 | 32,724 |
| Interest | 50 | 66 | | | 116 | 30 | 13 | 159 |
| Internet | 9,216 | 12,216 | | | 21,432 | 5,496 | 2,394 | 29,322 |
| Meetings and conferences | | 26,571 | | | 26,571 | 677 | 295 | 27,543 |
| Miscellaneous | 354 | 469 | | 5,000 | 5,823 | 211 | 92 | 6,126 |
| Office supplies | 6,047 | 8,016 | | 1,362 | 15,425 | 3,607 | 1,571 | 20,603 |
| Payroll processing fees | 1,514 | 2,007 | | | 3,521 | 903 | 393 | 4,817 |
| Postage and shipping | 1,919 | 2,543 | | | 4,462 | | | 4,462 |
| Printing | 1,724 | 2,286 | | 4,421 | 8,431 | | | 8,431 |
| Prizes and awards | | 49,751 | | 792,105 | 841,856 | | | 841,856 |
| Professional fees | | 29,202 | | 5,945 | 35,147 | 7,489 | 3,262 | 45,898 |
| Repairs and maintenance | 2,191 | 2,905 | | | 5,096 | 1,307 | 569 | 6,972 |
| Security | 346 | 459 | | | 805 | 207 | 90 | 1,102 |
| Telephone | 2,375 | 3,149 | | | 5,524 | 1,417 | 617 | 7,558 |
| Travel | | 18,047 | | | 18,047 | 2,306 | 1,005 | 21,358 |
| Utilities | 4,327 | 5,736 | | | 10,063 | 2,581 | 1,124 | 13,768 |
| Youth activities | | 89,778 | | | 89,778 | | | 89,778 |
| Total | \$ 301,007 | \$ 674,521 | \$ 37,394 | \$ 857,039 | \$ 1,869,961 | \$ 212,111 | \$ 92,386 | \$ 2,174,458 |

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse and Breeders Association, Inc.

Year Ended 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 |
| Meetings and conferences | | 10,955 | | | 10,955 | 2,880 | 1,274 | 15,109 |
| Miscellaneous | | | | 1,482 | 1,482 | | | 1,482 |
| 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 | \$ 594,912 | \$ 39,887 | \$ 460,457 | \$ 1,390,773 | \$ 244,589 | \$ 108,167 | \$ 1,743,529 |

See Notes to Financial Statements

Statements of Cash Flows

American Saddlebred Horse and Breeders Association, Inc.

| | Year Ended December 31 | |
|--|-------------------------------|-------------------|
| | 2022 | 2021 |
| Operating Activities | | |
| Change in net assets | \$ 32,480 | \$ 195,841 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 45,881 | 45,953 |
| Realized and unrealized gains (losses) on investments | 164,598 | (163,254) |
| Changes in | | |
| Accounts receivable | (206,532) | 28,466 |
| Prepaid expenses | (3,395) | (28,618) |
| Accounts payable | 14,201 | 13,262 |
| Accrued expenses | (3,624) | 12,422 |
| Obligations to prize fund | (98,027) | 420,659 |
| Deferred revenue | 67,467 | 10,081 |
| Net Cash Provided By Operating Activities | 13,049 | 534,812 |
| Investing Activities | | |
| Proceeds from sales of investments | 253,279 | 201,089 |
| Purchases of investments | (398,148) | (201,590) |
| Payments for website in progress | (12,500) | (12,500) |
| Purchase of property and equipment | (5,072) | (4,510) |
| Net Cash Used In Investing Activities | (162,441) | (17,511) |
| Financing Activities | | |
| Transfer of Registry cash and cash equivalents on merger | | 593,788 |
| Transfer to Registry Trust | | (552,165) |
| Net Cash Provided By Financing Activities | | 41,623 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (149,392) | 558,924 |
| Cash and Cash Equivalents Beginning of Year | 751,158 | 192,234 |
| Cash and Cash Equivalents, End of Year | \$ 601,766 | \$ 751,158 |
| Cash and cash equivalents - unrestricted | \$ 272,616 | \$ 316,626 |
| Cash and cash equivalents - restricted | 6,518 | 13,873 |
| Cash and cash equivalents - prize funds | 322,632 | 420,659 |
| Cash and Cash Equivalents, End of Year | \$ 601,766 | \$ 751,158 |

See Notes to Financial Statements

Notes to Financial Statements

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 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 Association's financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Association to report information regarding their financial position and activities according to the following net asset classifications.

Net assets without donor restrictions--Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor 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 statements of activities as net assets released from restrictions.

Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 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, 2022 and 2021.

Pledges Receivable--Pledges receivable are recognized as revenues in the accompanying consolidated statements of activities and changes in net assets in the period received or when unconditional promises to give are made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are recorded at the present value of their net realizable value and discounted at an appropriate market discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions and pledges receivable is recorded based upon management's judgment, including such factors as prior collection history, type of contribution or pledge, and the creditworthiness of applicable donors. Management determined that an allowance was not necessary for the pledge receivable at December 31, 2022 and 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 statements 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 restrictions. Other investment return is reflected in the statements 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 |

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

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

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, 2022 and 2021 was \$45,881 and \$45,953, respectively.

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 2022 and 2021.

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 statements of financial position as assets and liabilities. The Association had \$322,632 and \$420,659 of such funds recorded as assets and liabilities for the years ended December 31, 2022 and 2021, respectively.

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 statements 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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

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

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 statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets--Contributions of donated goods are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not donated, are recorded at fair value in the period received. The Association does not have a policy regarding monetization of contributed nonfinancial assets.

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 years ended December 31, 2022 and 2021, the Association did not have unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

GAAP prescribes 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 statements 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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note B--Summary of Significant Accounting Policies—Continued

New Accounting Pronouncements--During the year ended December 31, 2022, the Association adopted the requirements of the FASB's Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This update increases the transparency about the measurement of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

Reclassifications--Certain amount in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Note C--Investments and Fair Value Measurements

GAAP provides 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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

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

The fair values of investments as of December 31, 2022 and 2021 are summarized as follows:

| | Fair Value Measurement Using: | |
|---------------------------------|--|--|
| | Fair Value | Quoted Prices in Active Markets (Level 1) |
| <u>December 31, 2022</u> | | |
| Equities | \$ 822,541 | \$ 822,541 |
| Fixed income | 391,897 | 391,897 |
| Cash and cash alternatives | 138,252 | 138,252 |
| Other | 20,704 | 20,704 |
| | <u>\$ 1,373,394</u> | <u>\$ 1,373,394</u> |
| <u>December 31, 2021</u> | | |
| 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.

December 31, 2022 and 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 (loss) presented in the accompanying statements of activities:

| | December 31 | |
|------------------------------|---------------------|-------------------|
| | 2022 | 2021 |
| Interest and dividend income | \$ 28,973 | \$ 19,758 |
| Realized gains | 149 | 856 |
| Unrealized gains (losses) | (164,747) | 141,019 |
| Investment fees | (17,358) | (16,979) |
| | <u>\$ (152,983)</u> | <u>\$ 144,654</u> |

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note D--Property and Equipment

Property and equipment consist of the following:

| | December 31 | |
|---|--------------------------|--------------------------|
| | 2022 | 2021 |
| Buildings | \$ 863,175 | \$ 863,175 |
| Building improvements | 207,652 | 207,652 |
| Furniture and equipment | 175,413 | 170,342 |
| Software and web page | 480,911 | 480,911 |
| | 1,727,151 | 1,722,080 |
| Accumulated depreciation and amortization | <u>(1,266,638)</u> | <u>(1,220,758)</u> |
| | 460,513 | 501,322 |
| Construction in progress | <u>25,000</u> | <u>12,500</u> |
| Property and Equipment, Net | <u>\$ 485,513</u> | <u>\$ 513,822</u> |

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note E--Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

| | December 31 | |
|--|--------------------------|--------------------------|
| | 2022 | 2021 |
| Subject to Expenditure for Specified Purpose | | |
| Belle Elegant | \$ 164,672 | \$ 247,634 |
| Lordosis Fund | 11,472 | 16,816 |
| Goth Fund | 1,372 | 2,049 |
| Scholarship | 148,995 | 68,316 |
| Equine Welfare | 24,468 | 40,177 |
| Genetic Research | 101,059 | 130,423 |
| Vera Gatch Fund | 117,295 | 134,778 |
| Riding Program | 7,860 | 8,389 |
| | <u>577,193</u> | <u>648,582</u> |
| Subject to Endowment Spending Policy and Appropriations | | |
| Belle Elegant | 100,000 | 100,000 |
| Genetic Research | 100,000 | 100,000 |
| | <u>200,000</u> | <u>200,000</u> |
| Total Net Assets With Donor Restrictions | <u><u>\$ 777,193</u></u> | <u><u>\$ 848,582</u></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.

Note F--Endowments

GAAP provides 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.

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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note F--Endowments--Continued

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:

| | Year Ended December 31, 2022 | |
|---|---|-----------------------------|
| | Belle Elegant | Genetic Research |
| Balance at Beginning of Year | \$ 100,000 | \$ 100,000 |
| Interest and dividend income | 1,925 | 1,790 |
| Unrealized losses | <u>(13,402)</u> | <u>(13,348)</u> |
| Net change | (11,477) | (11,558) |
| Transfer from net assets without donor restrictions | <u>11,477</u> | <u>11,558</u> |
| Balance at End of Year | <u>\$ 100,000</u> | <u>\$ 100,000</u> |

| | Year Ended December 31, 2021 | |
|---------------------------------------|---|-----------------------------|
| | Belle Elegant | Genetic Research |
| Balance at Beginning of Year | \$ 100,000 | \$ 100,000 |
| Interest and dividend income | 5,167 | 3,355 |
| Unrealized gains | <u>35,562</u> | <u>23,090</u> |
| Net change | 40,729 | 26,445 |
| Amounts appropriated for expenditures | <u>(40,729)</u> | <u>(26,445)</u> |
| Balance at End of Year | <u>\$ 100,000</u> | <u>\$ 100,000</u> |

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note G--Conditional Contribution

In 2021, the Association received a multi-year conditional contribution of up to \$300,000, payable in increments of \$60,000 annually, if the Association employs a fundraising manager for the year. For the year ended December 31, 2022, the Association had earned and collected \$120,000 on this conditional contribution.

Note H--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 \$10,743 and \$11,435 for the years ended December 31, 2022 and 2021, respectively.

Note I--Contributed Nonfinancial Assets

On September 17, 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities* (Topic 958). This new standard, which the Association adopted is required to adopt during the year ended December 31, 2022, is intended to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The new standard was implemented retroactively. The new standard implementation had no significant impact on the Association's financial statements.

Contributed nonfinancial assets recognized within the accompanying financial statements of activities included:

| | Year Ended December 31 | |
|--|-------------------------------|-------------------|
| | 2022 | 2021 |
| Donated goods, Breeder Challenge Auction | \$ 181,478 | \$ 174,250 |
| Donated goods, Half Saddlebred Auction | 64,850 | |
| Donated services | 1,050 | |
| Total | \$ 247,378 | \$ 174,250 |

The Association recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Note J--Paycheck Protection Program Loan

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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note J--Paycheck Protection Program Loan--Continued

The Association received confirmation of forgiveness of this loan from the SBA on July 1, 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 K--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 L--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.

The following table reflects the Association's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

| | December 31 | |
|---|----------------------------|--------------------------|
| | 2022 | 2021 |
| Cash | \$ 272,616 | \$ 316,626 |
| Restricted cash | 6,518 | 13,873 |
| Cash - prize funds | 322,632 | 420,659 |
| Accounts receivable, to be collected in less than one year | 207,167 | 635 |
| Pledge receivable | 60,000 | 60,000 |
| Investments | <u>1,373,394</u> | <u>1,393,123</u> |
| Total Financial Assets, Excluding Noncurrent Receivables | 2,242,327 | 2,204,916 |
| Contractual or donor-imposed restrictions: | | |
| Cash restricted for specific uses | (329,150) | (434,532) |
| * Board designated funds | (96,736) | |
| Endowment fund investments | (200,000) | (200,000) |
| Other donor restrictions | <u>(577,193)</u> | <u>(648,582)</u> |
| Financial Assets Available to Meet Cash Needs for Expenditures Within One Year | <u>\$ 1,039,248</u> | <u>\$ 921,802</u> |

* In 2022, the Board designated \$48,368 to the Belle Elegant fund and \$48,368 for scholarships. These board designations can be drawn upon if the governing board approves this action.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2022 and 2021

Note M--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 \$343,000 at December 31, 2022.

Note N--Employee Retention Tax Credit

The Association applied for reimbursement of payroll taxes related to 2021 and prior payrolls under the Employee Retention Tax Credit ("ERTC"), of 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 ERTC'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 ERTC, 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, the Association has recorded the credit in 2022, the period in which the funds were received.

Note O--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 November 29, 2023, 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.