

Audited Financial Statements

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022



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December 31, 2023 and 2022

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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 comprise the statement of financial position as of December 31, 2023, 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, 2023, 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 ("GAAP").

Basis for Opinion

We conducted our audit 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 the 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.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2022, were audited by Strothman and Company, who merged with LBMC, PC as of November 1, 2023, and whose report dated November 29, 2023, expressed an unmodified opinion on those statements

Change in Accounting Principle

As discussed in Note B, the Association adopted the requirements of Financial Accounting Standards Board Accounting Standards Update No. 2016-013, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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' Responsibilities for the Audit of the Financial Statements

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.

LBMC, PC

Louisville, Kentucky
February 5, 2026

Statements of Financial Position

American Saddlebred Horse and Breeders Association, Inc.

	December 31	
	2023	2022
Assets		
Cash	\$ 255,176	\$ 272,616
Restricted cash	-	6,518
Cash - prize funds	276,577	322,632
Accounts receivable	89,900	207,167
Prepaid expenses	73,252	36,101
Investments	1,581,237	1,373,394
Property and equipment, net	513,311	485,513
	Total Assets	Total Assets
	<u>\$ 2,789,453</u>	<u>\$ 2,703,941</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 108,850	\$ 45,116
Accrued expenses	42,829	31,880
Deferred revenue	112,417	131,329
Obligations to prize fund	276,577	322,632
	Total Liabilities	Total Liabilities
	540,673	530,957
Net Assets		
Without donor restrictions	1,438,648	1,395,791
With donor restrictions	810,132	777,193
	Total Net Assets	Total Net Assets
	<u>2,248,780</u>	<u>2,172,984</u>
	Total Liabilities and Net Assets	Total Liabilities and Net Assets
	<u>\$ 2,789,453</u>	<u>\$ 2,703,941</u>

See Notes to Financial Statements

Statements of Activities

American Saddlebred Horse and Breeders Association, Inc.

Year Ended December 31

	2023			2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support						
Revenues						
Journal revenue	\$ 150,640		\$ 150,640	\$ 144,119		\$ 144,119
Other fees revenue	18,137		18,137	9,432		9,432
Special events net of related expenses of \$324,034 (2023) and \$74,802 (2022)	(29,466)		(29,466)	68,788		68,788
Rent	894		894	969		969
Prize program	600,296		600,296	604,305		604,305
Registry revenue	564,132		564,132	528,756		528,756
Miscellaneous	7,587		7,587	7,494		7,494
Total Revenues	1,312,220		1,312,220	1,363,863		1,363,863
Support						
Memberships	153,615		153,615	168,190		168,190
Donations	381,197		381,197	316,687	\$ 100,000	416,687
Donations of nonfinancial assets	85,700		85,700	247,378		247,378
Net investment return (loss)	80,804	\$ 107,554	188,358	(42,361)	(110,622)	(152,983)
Youth programs	375		375	25,986		25,986
Net Assets Released from Restrictions	74,615	(74,615)	-	60,767	(60,767)	-
Total Support	776,306	32,939	809,245	776,647	(71,389)	705,258
Total Revenues and Support	2,088,526	32,939	2,121,465	2,140,510	(71,389)	2,069,121
Expenses						
Program services						
Communications and publications	185,271		185,271	301,007		301,007
Advancement	498,956		498,956	674,521		674,521
Technology	63,279		63,279	37,394		37,394
Registry programs	943,211		943,211	857,039		857,039
Total Program Services Expenses	1,690,717		1,690,717	1,869,961		1,869,961
Administration	220,885		220,885	212,111		212,111
Fundraising	134,067		134,067	92,386		92,386
Total Expenses	2,045,669		2,045,669	2,174,458		2,174,458
Other Income						
Employee Retention Tax Credit				137,817		137,817
Change in Net Assets	42,857	32,939	75,796	103,869	(71,389)	32,480
Net Assets Beginning of Year	1,395,791	777,193	2,172,984	1,291,922	848,582	2,140,504
Net Assets End of Year	\$ 1,438,648	\$ 810,132	\$ 2,248,780	\$ 1,395,791	\$ 777,193	\$ 2,172,984

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse and Breeders Association, Inc.

Year Ended December 31, 2023

	Program Services				Total Program Services	Administration	Fundraising	Totals
	Communications and Publications	Advancement Programs	Technology Programs	Registry Programs				
Salaries	\$ 78,051	\$ 168,397		\$ 195,888	\$ 442,336	\$ 114,732	\$ 80,825	\$ 637,893
Payroll taxes	5,842	12,605		14,663	33,110	8,588	6,050	47,748
Benefits	11,875	25,621		29,804	67,300	17,456	12,298	97,054
Total Salaries and Benefits	95,768	206,623		240,355	542,746	140,776	99,173	782,695
Advertising and promotion		53,511			53,511	13,724	5,977	73,212
Bank charges	15,244	20,208		20	35,472	9,091	3,960	48,523
Blood Typing - DNA				39,745	39,745			39,745
Computer fees			\$ 8,787		8,787	2,252	981	12,020
Computer supplies	360	477			837	215	94	1,146
Contract labor	6,122				6,122	1,565	686	8,373
Depreciation and amortization			33,408		33,408	7,374	3,211	43,993
Donations	26,935	35,702			62,637	16,066	6,997	85,700
Dues and subscriptions	771	1,023		300	2,094	460	200	2,754
Insurance	12,762	16,916			29,678	7,611	3,315	40,604
Interest								
Internet	2,636	3,495			6,131	1,572	685	8,388
Meals and entertainment		1,419			1,419			1,419
Miscellaneous	2,046	2,710		28,897	33,653	1,219	532	35,404
Office supplies	6,526	8,651		1,470	16,647	3,893	1,695	22,235
Payroll processing fees	1,592	2,110			3,702	949	413	5,064
Postage and shipping	4,259	5,645			9,904			9,904
Printing	3,068	4,068		7,868	15,004			15,004
Prizes and awards		38,960		617,754	656,714			656,714
Professional fees		33,412		6,802	40,214	8,569	3,732	52,515
Repairs and maintenance	1,255	1,664			2,919	749	326	3,994
Security	1,211	1,606			2,817	724	315	3,856
State fair								
Technology			21,084		21,084			21,084
Telephone	1,618	2,145			3,763	965	420	5,148
Travel		9,885			9,885	1,263	550	11,698
Utilities	3,098	4,107			7,205	1,848	805	9,858
Youth activities		44,619			44,619			44,619
Total	\$ 185,271	\$ 498,956	\$ 63,279	\$ 943,211	\$ 1,690,717	\$ 220,885	\$ 134,067	\$ 2,045,669

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

Statements of Cash Flows

American Saddlebred Horse and Breeders Association, Inc.

	Year Ended December 31	
	2023	2022
Operating Activities		
Change in net assets	\$ 75,796	\$ 32,480
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	43,993	45,881
Realized and unrealized (gains) losses on investments	(158,468)	164,598
Changes in		
Accounts receivable	117,267	(206,532)
Prepaid expenses	(37,151)	(3,395)
Accounts payable	63,734	14,201
Accrued expenses	10,949	(3,624)
Obligations to prize fund	(46,055)	(98,027)
Deferred revenue	(18,912)	67,467
Net Cash Provided By Operating Activities	51,153	13,049
Investing Activities		
Proceeds from sales of investments	279,627	253,279
Purchases of investments	(329,002)	(398,148)
Payments for website in progress		(12,500)
Purchase of property and equipment	(71,791)	(5,072)
Net Cash Used In Investing Activities	(121,166)	(162,441)
Net Decrease in Cash and Cash Equivalents	(70,013)	(149,392)
Cash and Cash Equivalents Beginning of Year	601,766	751,158
Cash and Cash Equivalents, End of Year	\$ 531,753	\$ 601,766
Cash and cash equivalents - unrestricted	\$ 255,176	\$ 272,616
Cash and cash equivalents - restricted		6,518
Cash and cash equivalents - prize funds	276,577	322,632
Cash and Cash Equivalents, End of Year	\$ 531,753	\$ 601,766

See Notes to Financial Statements

Notes to Financial Statements

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note A--Nature of Operations

The purposes for which the American Saddlebred Horse and Breeders Association, Inc. (the "Association"), was organized shall be exclusively charitable, educational, and scientific within the meaning of Section 501 (c)(3) of the Internal Revenue Code ("IRC"). The mission of the American Saddlebred Horse and Breeders Association is to promote and protect the American Saddlebred Horse with the highest standards of integrity and guarantee the purity of the breed through the recording of pedigrees and the transfer 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, registry fees, and nomination fees.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, 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.

Use of Estimates--The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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

Concentrations of Credit Risk--The Association maintains its cash in financial institution accounts, which may at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions. On December 31, 2023, the Association's uninsured cash balance totaled \$242,000.

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 credit losses 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 credit losses as of December 31, 2023 and 2022.

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 and amortization 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 equipment	Up to 7 years
Software and web page	2 – 5 years

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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, 2023 and 2022 was \$43,993 and \$45,881, 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 2023 and 2022.

Agency Relationships--The Association 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. Any interest accrued on the entries received in these programs is used to offset the expenses of the prize programs. 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 \$276,577 and \$322,632 of such funds recorded as assets and liabilities for the years ended December 31, 2023 and 2022, 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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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

Revenue from registry transactions are recorded as income when earned. Revenue for nomination fees is recorded as income over the applicable period of time to which the prizes are awarded.

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, 2023 and 2022, 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.

The Association's policy is to classify income tax penalties and interest as interest expense in its financial statements. During the year ended December 30, 2023 and 2022, the Association incurred no penalties or interest. The Association's Federal Income Tax Return (Forms 990) for 2021, 2022, and 2023 are subject to examination by the IRS, generally for the three years after they were filed.

Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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

Fair Value Measurement--The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the "exit price") in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Association uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained sources independent of the Association. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions that market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

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 - Significant unobservable inputs other than Level 1 and Level 2, that are not actively traded, and inputs that are not readily available.

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 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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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

New Accounting Pronouncements--In June 2016, the Financial Accounting Standards Board issued guidance ("FASB ASC 326") which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were accounts receivable. Effective January 1, 2023, the Organization adopted the standard. The impact of adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events--The Association's management has evaluated events and transactions that occurred after the year end and through February 5, 2026, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note C--Investments

Investments as of December 31, 2023 and 2022, consist of the following:

	Fair Value Measurement Using:	
	Fair Value	Quoted Prices in Active Markets (Level 1)
<u>December 31, 2023</u>		
Equities	\$ 886,797	\$ 886,797
Fixed income	410,827	410,827
Cash and cash alternatives	265,134	265,134
Other	18,479	18,479
	<u>\$ 1,581,237</u>	<u>\$ 1,581,237</u>

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note C--Investments--Continued

	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>

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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note C--Investments--Continued

The table below provides detail of the net investment return (loss) presented in the accompanying statements of activities:

	December 31	
	2023	2022
Interest and dividend income	\$ 42,858	\$ 28,973
Realized gains	13,012	149
Unrealized gains (losses)	145,456	(164,747)
Investment fees	(12,968)	(17,358)
	<u>\$ 188,358</u>	<u>\$ (152,983)</u>

Note D--Property and Equipment

Property and equipment consist of the following:

	December 31	
	2023	2022
Buildings	\$ 863,175	\$ 863,175
Building improvements	207,652	207,652
Furniture and equipment	175,413	175,413
Software and web page	577,702	480,911
	1,823,942	1,727,151
Accumulated depreciation and amortization	<u>(1,310,631)</u>	<u>(1,266,638)</u>
	513,311	460,513
Construction in progress	<u>-</u>	<u>25,000</u>
Property and Equipment, Net	<u>\$ 513,311</u>	<u>\$ 485,513</u>

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note E--Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

	December 31	
	2023	2022
Subject to Expenditure for Specified Purpose		
Belle Elegant	\$ 150,398	\$ 164,672
Lordosis Fund	10,048	11,472
Goth Fund	2,448	1,372
Scholarship	46,137	45,404
Moore Scholarship	108,422	103,591
Equine Welfare	27,745	24,468
Genetic Research	124,721	101,059
Vera Gatch Fund	131,277	117,295
Riding Program	8,936	7,860
	<u>610,132</u>	<u>577,193</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>\$ 810,132</u>	<u>\$ 777,193</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.

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

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:

	Year Ended	
	December 31, 2023	
	Belle Elegant	Genetic Research
	<u> </u>	<u> </u>
Balance at Beginning of Year	\$ 100,000	\$ 100,000
Investment Return		
Net investment income (loss)	(5,700)	10,529
Transfer from net assets without donor restrictions	5,700	
Amounts appropriated for expenditure	<u> </u>	<u>(10,529)</u>
Balance at End of Year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Continued

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note F--Endowments--Continued

	Year Ended	
	December 31, 2022	
	Belle Elegant	Genetic Research
Balance at Beginning of Year	\$ 100,000	\$ 100,000
Investment Return		
Net investment loss	(11,477)	\$ (1,558)
Transfer from net assets without donor restrictions	<u>11,477</u>	<u>1,558</u>
Balance at End of Year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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. As of December 31, 2023, the Association had earned and collected \$180,000 on this conditional contribution. For the years ended December 31, 2023 and 2022, the Association recorded \$60,000 as Donations support in the Statement of Activities.

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 \$11,417 and \$10,743 for the years ended December 31, 2023 and 2022, respectively.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note I--Contributed Nonfinancial Assets

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

	Year Ended December 31	
	2023	2022
Donated goods, Convention Auction	\$ 48,500	
Donated goods, Breeder Challenge Auction	36,950	\$ 181,478
Donated goods, Half Saddlebred Auction		64,850
Donated services	250	1,050
Total	\$ 85,700	\$ 247,378

The Association recognized contributed nonfinancial assets within support on the statement of activities. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Notes to Financial Statements--Continued

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note J--Liquidity and Availability of Financial Assets

The Association's major sources of support are membership dues, donations, registry fees, 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, 2023 and 2022, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	December 31	
	2023	2022
Cash	\$ 255,176	\$ 272,616
Restricted cash		6,518
Cash - prize funds	276,577	322,632
Accounts receivable, to be collected in less than one year	89,900	207,167
Investments	<u>1,581,237</u>	<u>1,373,394</u>
Total Financial Assets, Excluding Noncurrent Receivables	2,202,890	2,182,327
Contractual or donor-imposed restrictions:		
Cash restricted for specific uses	(276,577)	(329,150)
* Board designated funds		(96,736)
Endowment fund investments	(200,000)	(200,000)
Other donor restrictions	<u>(610,132)</u>	<u>(577,193)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,116,181</u>	<u>\$ 979,248</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.

American Saddlebred Horse and Breeders Association, Inc.

December 31, 2023 and 2022

Note K--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. On March 5, 2025, the Association received a letter from the IRS stating that their review of the March 31, 2021 Form 941 resulted in no changes.