

Audited Financial Statements

2018

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017



Audited Financial Statements

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

|   |   |
|---|---|
| <b>Independent Auditors' Report</b> ..... | 1 |
| <b>Financial Statements</b>               |   |
| Statements of Financial Position .....    | 3 |
| Statements of Activities .....            | 4 |
| Statements of Functional Expenses .....   | 5 |
| Statements of Cash Flows .....            | 7 |
| Notes to Financial Statements .....       | 8 |



## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of American Saddlebred Horse Association, Inc. ("Association") which are comprised of the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

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, 2018 and 2017, 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.

## Change in Accounting Principle

As described in Note B, the Association has adopted the requirements of Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities: Presentation of Financial Statement of Not-For-Profit Entities*. The 2017 financial statements have been restated to conform to the 2018 presentation and disclosure requirements of ASU No. 2016-14. Our opinion is not modified due to this change.

*Stottman and Company PSC*  
Louisville, Kentucky  
June 24, 2019

Statements of Financial Position

**American Saddlebred Horse Association, Inc.**

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2018</b>         | <b>2017</b>         |
| <b>Assets</b>                           |                     |                     |
| Cash                                    | \$ 264,838          | \$ 299,358          |
| Accounts receivable                     |                     |                     |
| Trade, net of allowance of              |                     |                     |
| \$0 for 2018 and \$18,600 for 2017      | 18,592              | 20,033              |
| Related party                           | 6,266               | 3,497               |
| Other                                   | 221                 | 550                 |
| Prepaid expenses                        | 4,409               | 2,808               |
| Investments                             | 1,138,506           | 1,348,001           |
| Property and equipment, net             | <u>656,943</u>      | <u>656,697</u>      |
| <b>Total Assets</b>                     | <u>\$ 2,089,775</u> | <u>\$ 2,330,944</u> |
| <br><b>Liabilities and Net Assets</b>   |                     |                     |
| <b>Liabilities</b>                      |                     |                     |
| Accounts payable                        | \$ 38,373           | \$ 70,921           |
| Accrued expenses                        | 25,076              | 23,182              |
| Deferred revenue                        | 177,441             | 156,794             |
| Capital lease obligation                | <u>63,087</u>       | <u>68,190</u>       |
| <b>Total Liabilities</b>                | 303,977             | 319,087             |
| <br><b>Net Assets</b>                   |                     |                     |
| Without donor restrictions              | 1,188,579           | 1,346,161           |
| With donor restrictions                 | <u>597,219</u>      | <u>665,696</u>      |
| <b>Total Net Assets</b>                 | <u>1,785,798</u>    | <u>2,011,857</u>    |
| <b>Total Liabilities and Net Assets</b> | <u>\$ 2,089,775</u> | <u>\$ 2,330,944</u> |

See Notes to Financial Statements

Statements of Activities

American Saddlebred Horse Association, Inc.

|  | Year Ended December 31, 2018                |  | Year Ended December 31, 2017                |  |
|--|---|--|---|--|
|  | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions |
| <b>Revenues and Support</b>                  |   |  |   | <b>Total</b>                             |
| Revenues                                     |   |  |   |  |
| Management fees                              | \$ 293,023                                  | \$ 293,023                               | \$ 285,047                                  | \$ 285,047                               |
| Advertising                                  | 74,320                                      | 74,320                                   | 189,800                                     | 189,800                                  |
| State fair                                   | 100,000                                     | 100,000                                  | 100,750                                     | 100,750                                  |
| Special event fees                           | 67,793                                      | 67,793                                   | 39,270                                      | 39,270                                   |
| Rent   | 26,757                                      | 26,757                                   | 26,757                                      | 26,757                                   |
| Miscellaneous                                | 4,722                                       | 4,722                                    | 5,823                                       | 5,823                                    |
| <b>Total Revenues</b>                        | 566,615                                     | 566,615                                  | 647,447                                     | 647,447                                  |
| Support                                      |   |  |   |  |
| Net investment return                        | (51,552)                                    | (110,095)                                | 31,921                                      | 119,268                                  |
| Memberships                                  | 380,175                                     | 380,175                                  | 380,191                                     | 380,191                                  |
| Youth programs                               | 32,875                                      | 32,875                                   | 38,805                                      | 38,805                                   |
| Donations                                    | 51,578                                      | 54,144                                   | 107,687                                     | 111,023                                  |
| <b>Total Support</b>                         | 413,076                                     | 357,099                                  | 558,604                                     | 649,287                                  |
| <b>Net Assets Released from Restrictions</b> | 979,691                                     | (55,977)                                 | 1,206,051                                   | 90,683                                   |
| <b>Total Revenues and Support</b>            | 12,500                                      | (12,500)                                 | 15,000                                      | (15,000)                                 |
| <b>Expenses</b>                              |   |  |   |  |
| Program services                             | 992,191                                     | (68,477)                                 | 1,221,051                                   | 75,683                                   |
| Communications and publications              | 109,780                                     | 109,780                                  | 169,746                                     | 169,746                                  |
| Advancement                                  | 212,189                                     | 212,189                                  | 205,391                                     | 205,391                                  |
| Registry                                     | 381,401                                     | 381,401                                  | 390,978                                     | 390,978                                  |
| Technology                                   | 47,654                                      | 47,654                                   | 26,646                                      | 26,646                                   |
| <b>Total Program Services Expenses</b>       | 751,024                                     | 751,024                                  | 792,761                                     | 792,761                                  |
| Administration                               | 296,062                                     | 296,062                                  | 300,176                                     | 300,176                                  |
| Fundraising                                  | 102,687                                     | 102,687                                  | 100,504                                     | 100,504                                  |
| <b>Total Expenses</b>                        | 1,149,773                                   | 1,149,773                                | 1,193,441                                   | 1,193,441                                |
| <b>Change in Net Assets</b>                  | (157,582)                                   | (68,477)                                 | 27,610                                      | 75,683                                   |
| <b>Net Assets Beginning of Year</b>          | 1,346,161                                   | 665,696                                  | 1,318,551                                   | 590,013                                  |
| <b>Net Assets End of Year</b>                | \$ 1,188,579                                | \$ 597,219                               | \$ 1,346,161                                | \$ 665,696                               |

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse Association, Inc.

Year Ended December 31, 2018

|                                    | Program Services                      |                         |                      |                       |                   |                   | Totals              |
|------------------------------------|---------------------------------------|-------------------------|----------------------|-----------------------|-------------------|-------------------|---------------------|
|                                    | Communications<br>and<br>Publications | Advancement<br>Programs | Registry<br>Programs | Technology<br>Program | Administration    | Fundraising       |                     |
| Salaries                           | \$ 62,116                             | \$ 51,763               | \$ 260,214           |                       | \$ 104,562        | \$ 38,978         | \$ 517,633          |
| Payroll taxes                      | 4,928                                 | 4,107                   | 20,646               |                       | 8,296             | 3,093             | 41,070              |
| Benefits                           | 7,937                                 | 6,614                   | 33,250               |                       | 13,361            | 4,979             | 66,141              |
| <b>Total Salaries and Benefits</b> | <b>74,981</b>                         | <b>62,484</b>           | <b>314,110</b>       |                       | <b>126,219</b>    | <b>47,050</b>     | <b>624,844</b>      |
| Advertising and promotion          |                                       | 23,615                  |                      |                       |                   |                   | 23,615              |
| Bad debt                           |                                       |                         |                      |                       | 6,510             |                   | 6,510               |
| Bank charges                       |                                       |                         |                      |                       | 27,827            |                   | 27,827              |
| Computer fees                      |                                       |                         |                      | \$ 7,365              |                   |                   | 7,365               |
| Contract labor                     |                                       |                         |                      |                       | 24,218            |                   | 24,218              |
| Depreciation and amortization      | 10,434                                | 8,695                   | 43,710               |                       | 17,564            | 6,547             | 86,950              |
| Dues and subscriptions             |                                       | 1,669                   |                      |                       | 175               |                   | 1,844               |
| Equipment repairs                  |                                       |                         |                      |                       | 1,899             |                   | 1,899               |
| Insurance                          | 2,430                                 | 2,025                   | 10,179               |                       | 4,090             | 1,525             | 20,249              |
| Interest expense                   |                                       |                         |                      |                       | 1,902             |                   | 1,902               |
| Marketing                          |                                       |                         |                      |                       | 5,992             |                   | 5,992               |
| Meetings and conferences           |                                       | 23,989                  |                      |                       | 4,323             |                   | 28,312              |
| Miscellaneous                      |                                       | 28,857                  |                      | 25                    | 7,627             | 1,287             | 37,796              |
| Office supplies                    |                                       |                         |                      |                       | 7,835             |                   | 7,835               |
| Payroll processing fees            | 530                                   | 379                     | 1,931                |                       | 946               |                   | 3,786               |
| Postage and shipping               |                                       |                         |                      |                       | 11,273            |                   | 11,273              |
| Printing                           | 16,414                                | 3,397                   |                      |                       | 13,762            |                   | 33,573              |
| Prizes and awards                  |                                       | 13,971                  |                      |                       |                   | 45,289            | 59,260              |
| Professional fees                  | 3,590                                 | 13,603                  | 5,606                | 21,831                | 17,305            | 110               | 62,045              |
| Repairs                            |                                       |                         |                      |                       | 1,011             |                   | 1,011               |
| Security                           |                                       |                         |                      |                       | 543               |                   | 543                 |
| State fair                         |                                       | 28,338                  |                      |                       |                   |                   | 28,338              |
| Telephone                          | 520                                   | 433                     | 2,176                |                       | 874               | 326               | 4,329               |
| Travel                             |                                       |                         |                      |                       | 12,684            |                   | 12,684              |
| Utilities                          | 881                                   | 734                     | 3,689                |                       | 1,483             | 553               | 7,340               |
| Web page and email                 |                                       |                         |                      | 18,433                |                   |                   | 18,433              |
| <b>Total</b>                       | <b>\$ 109,780</b>                     | <b>\$ 212,189</b>       | <b>\$ 381,401</b>    | <b>\$ 47,654</b>      | <b>\$ 296,062</b> | <b>\$ 102,687</b> | <b>\$ 1,149,773</b> |

See Notes to Financial Statements

Statement of Functional Expenses

American Saddlebred Horse Association, Inc.

Year Ended December 31, 2017

|  | Program Services                      |                         |                      |                       |                   |                   | Totals              |
|--|---------------------------------------|-------------------------|----------------------|-----------------------|-------------------|-------------------|---------------------|
|  | Communications<br>and<br>Publications | Advancement<br>Programs | Registry<br>Programs | Technology<br>Program | Administration    | Fundraising       |                     |
| Salaries                               | \$ 68,344                             | \$ 56,954               | \$ 286,306           |                       | \$ 115,047        | \$ 42,886         | \$ 569,537          |
| Payroll taxes                          | 5,427                                 | 4,523                   | 22,736               |                       | 9,136             | 3,406             | 45,228              |
| Benefits                               | 7,753                                 | 6,461                   | 32,478               |                       | 13,051            | 4,865             | 64,608              |
| <b>Total Salaries and<br/>Benefits</b> | <b>81,524</b>                         | <b>67,938</b>           | <b>341,520</b>       |                       | <b>137,234</b>    | <b>51,157</b>     | <b>679,373</b>      |
| Advertising and promotion              |                                       | 24,971                  |                      |                       |                   |                   | 24,971              |
| Bad debt                               |                                       |                         |                      |                       | 19,300            |                   | 19,300              |
| Bank charges                           |                                       |                         |                      |                       | 13,603            |                   | 13,603              |
| Computer fees                          |                                       |                         |                      | \$ 5,088              |                   |                   | 5,088               |
| Contract labor                         |                                       |                         |                      |                       | 1,212             |                   | 1,212               |
| Depreciation and amortization          | 10,091                                | 8,409                   | 42,273               |                       | 16,987            | 6,332             | 84,092              |
| Dues and subscriptions                 |                                       | 390                     |                      |                       | 15                |                   | 405                 |
| Equipment repairs                      |                                       |                         |                      |                       | 1,549             |                   | 1,549               |
| Insurance                              | 125                                   | 89                      | 455                  |                       | 16,053            |                   | 16,722              |
| Interest expense                       |                                       |                         |                      |                       | 4,588             |                   | 4,588               |
| Marketing                              |                                       |                         |                      |                       | 44,732            |                   | 44,732              |
| Meetings and conferences               |                                       | 29,547                  |                      |                       | 889               |                   | 30,436              |
| Miscellaneous                          | 40                                    | 19,083                  |                      | 90                    | 8,672             | 592               | 28,477              |
| Office supplies                        |                                       |                         |                      |                       | 6,203             |                   | 6,203               |
| Payroll processing fees                | 525                                   | 375                     | 1,912                |                       | 937               |                   | 3,749               |
| Postage and shipping                   |                                       |                         |                      |                       | 11,710            |                   | 11,710              |
| Printing                               | 74,671                                | 2,342                   |                      |                       | 12,875            |                   | 89,888              |
| Prizes and awards                      |                                       | 20,147                  |                      |                       |                   | 41,701            | 61,848              |
| Professional fees                      | 1,620                                 | 8,820                   |                      | 15,660                |                   |                   | 26,100              |
| Repairs                                |                                       |                         |                      |                       | 1,121             |                   | 1,121               |
| Security                               |                                       |                         |                      |                       | 486               |                   | 486                 |
| State fair                             |                                       | 22,322                  |                      |                       |                   |                   | 22,322              |
| Telephone                              | 325                                   | 271                     | 1,363                |                       | 548               | 204               | 2,711               |
| Travel                                 |                                       |                         |                      |                       | 74                |                   | 74                  |
| Utilities                              | 825                                   | 687                     | 3,455                |                       | 1,388             | 518               | 6,873               |
| Web page and email                     |                                       |                         |                      | 5,808                 |                   |                   | 5,808               |
| <b>Total</b>                           | <b>\$ 169,746</b>                     | <b>\$ 205,391</b>       | <b>\$ 390,978</b>    | <b>\$ 26,646</b>      | <b>\$ 300,176</b> | <b>\$ 100,504</b> | <b>\$ 1,193,441</b> |

See Notes to Financial Statements



Statements of Cash Flows

**American Saddlebred Horse Association, Inc.**

|  | <b>Year Ended December 31</b> |                          |
|--|-------------------------------|--------------------------|
|  | <b>2018</b>                   | <b>2017</b>              |
| <b>Operating Activities</b>  |                               |                          |
| Change in net assets   | \$ (226,059)                  | \$ 103,293               |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                               |                          |
| Depreciation and amortization  | 86,950                        | 84,092                   |
| Unrealized losses (gains) on investments   | 129,345                       | (104,233)                |
| Allowance for doubtful accounts receivable   | 18,600                        | (18,600)                 |
| Changes in   |                               |                          |
| Accounts receivable  | (19,599)                      | 69,718                   |
| Prepaid expenses and other current assets  | (1,601)                       | 2,159                    |
| Accounts payable   | (32,548)                      | 29,074                   |
| Accrued expenses   | 1,894                         | 3,259                    |
| Other liabilities  |                               |                          |
| Deferred revenue   | 20,647                        | (15,610)                 |
|  | <u>20,647</u>                 | <u>(15,610)</u>          |
| <b>Net Cash Provided By (Used In) Operating Activities</b>   | <b>(22,371)</b>               | <b>153,152</b>           |
| <b>Investing Activities</b>  |                               |                          |
| Proceeds from sales of investments   | 407,375                       | 1,150,044                |
| Purchases of investments   | (327,225)                     | (1,237,660)              |
| Purchase of property and equipment   | (87,196)                      |                          |
|  | <u>(87,196)</u>               | <u></u>                  |
| <b>Net Cash Used In Investing Activities</b>   | <b>(7,046)</b>                | <b>(87,616)</b>          |
| <b>Financing Activities</b>  |                               |                          |
| Payments on capital leases   | (5,103)                       | (61,069)                 |
|  | <u>(5,103)</u>                | <u>(61,069)</u>          |
| <b>Net Increase (Decrease) in Cash</b>   | <b>(34,520)</b>               | <b>4,467</b>             |
| <b>Cash Beginning of Year</b>  | <u>299,358</u>                | <u>294,891</u>           |
| <b>Cash End of Year</b>  | <u><u>\$ 264,838</u></u>      | <u><u>\$ 299,358</u></u> |
| <b>Supplemental Disclosure of Cash Flow Data</b>   |                               |                          |
| Cash paid during the year for interest   | <u><u>\$ 1,902</u></u>        | <u><u>\$ 4,588</u></u>   |

See Notes to Financial Statements

Notes to Financial Statements

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**Note A--Nature of Operations**

American Saddlebred Horse Association, Inc. (the "Association") was incorporated within the Commonwealth of Kentucky on April 18, 1990. The purposes for which the Association was organized shall be exclusively charitable, educational, and scientific within the meaning of Section 501 (c)(3) of the Internal Revenue Code. To that end, the 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. The Association's primary revenue sources are memberships, advertising sales and management fees.

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

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

Basis of Accounting--The *Accounting Standards Codification* 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 statements of activities as net assets released from restriction.

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.

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, 2018. The allowance for doubtful accounts receivable was \$18,600 as of December 31, 2017.

Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

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

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 restriction. 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    |

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 years ended December 31, 2018 and 2017 was \$86,950 and \$84,092, 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 2018 or 2017.

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

Continued

Notes to Financial Statements--Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

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

Contributions--Contributions are generally recorded upon receipt. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Income Taxes--The Association qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code ("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. Unrelated business income for the years ended December 31, 2018 or 2017 was approximately \$1,700 for each year.

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 costs of providing the various programs, administrative and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

New Accounting Pronouncement--During the year ended December 31, 2018, the Association adopted the requirements of the FASB Accounting Standards Update No. 2016-14. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note J).

Reclassifications--Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. There was no effect on the change in the net assets resulting from these reclassifications.

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**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 are summarized as follows:

|                                 | <b>Fair Value<br/>Measurement Using:</b> |  |
|---------------------------------|--|--|
|                                 | <b>Fair<br/>Value</b>                    | <b>Quoted<br/>Prices<br/>in Active<br/>Markets<br/>(Level 1)</b> |
| <b><u>December 31, 2018</u></b> |  |  |
| Equities                        | \$ 700,978                               | \$ 700,978   |
| Fixed income                    | 342,517                                  | 342,517  |
| Cash and cash alternatives      | 71,874                                   | 71,874   |
| Other                           | 23,137                                   | 23,137   |
|                                 | <u>\$ 1,138,506</u>                      | <u>\$ 1,138,506</u>  |
| <b><u>December 31, 2017</u></b> |  |  |
| Equities                        | \$ 879,424                               | \$ 879,424   |
| Fixed income                    | 352,135                                  | 352,135  |
| Cash and cash alternatives      | 92,896                                   | 92,896   |
| Other                           | 23,546                                   | 23,546   |
|                                 | <u>\$ 1,348,001</u>                      | <u>\$ 1,348,001</u>  |

Continued

Notes to Financial Statements--Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**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 consolidated statements of activities.

|                              | <b>Year Ended December 31</b> |                   |
|------------------------------|-------------------------------|-------------------|
|                              | <b>2018</b>                   | <b>2017</b>       |
| Interest and dividend income | \$ 25,030                     | \$ 2,943          |
| Realized gains (losses)      | (8,055)                       | 76,756            |
| Unrealized gains (losses)    | (108,840)                     | 41,114            |
| Investment fees              | (18,230)                      | (1,545)           |
|                              | <u>\$ (110,095)</u>           | <u>\$ 119,268</u> |

**Note D--Property and Equipment**

Property and equipment consist of the following:

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2018</b>        | <b>2017</b>       |
| Buildings                                      | \$ 863,175         | \$ 800,110        |
| Building improvements                          | 203,202            | 203,202           |
| Furniture and equipment                        | 60,134             | 49,502            |
| Software and web page                          | 588,997            | 575,497           |
|  | 1,715,508          | 1,628,311         |
| Less accumulated depreciation and amortization | <u>1,058,565</u>   | <u>971,614</u>    |
| <b>Property and Equipment, Net</b>             | <u>\$ 656,943</u>  | <u>\$ 656,697</u> |

Notes to Financial Statements--Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**Note E--Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

|  | <b>December 31</b>       |                          |
|--|--------------------------|--------------------------|
|  | <b>2018</b>              | <b>2017</b>              |
| <b>Subject to Expenditure for Specified Purpose</b>                |                          |                          |
| Belle Elegant  | \$ 144,873               | \$ 163,181               |
| Lordosis Fund  | 25,753                   | 27,652                   |
| Goth Fund  | 652                      | 1,892                    |
| Scholarship  | 39,414                   | 66,480                   |
| Equine Welfare   | 31,313                   | 32,456                   |
| Genetic Research   | 61,183                   | 73,069                   |
| Vera Gatch Fund  | 94,031                   | 100,966                  |
|  | <u>397,219</u>           | <u>465,696</u>           |
| <b>Subject to Endowment Spending<br/>Policy and Appropriations</b> |                          |                          |
| Belle Elegant  | 100,000                  | 100,000                  |
| Genetic Research   | 100,000                  | 100,000                  |
|  | <u>200,000</u>           | <u>200,000</u>           |
| <b>Total Net Assets With Donor Restrictions</b>                    | <u><u>\$ 597,219</u></u> | <u><u>\$ 665,696</u></u> |

Net assets were released from donor restrictions during 2018 and 2017 (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

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**Note F--Endowments--Continued**

Endowment Funds

The Association's endowment funds consist of donor restricted funds as disclosed in Note J. 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:

|   |                             |
|---|-----------------------------|
| <b>Balance at January 1, 2017</b>                       | \$ 200,000                  |
| Endowment Investment Return                             | 8,601                       |
| Appropriated for expenditure                            | <u>(8,601)</u>              |
| <b>Total Change in Endowment<br/>Funds for the Year</b> | <u>                    </u> |
| <b>Balance at December 31, 2017</b>                     | 200,000                     |
| <b>Total Change in Endowment<br/>Funds for the Year</b> | <u>                    </u> |
| <b>Balance at December 31, 2018</b>                     | <u><u>\$ 200,000</u></u>    |



Notes to Financial Statements--Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**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 \$11,153 and \$10,595 for the years ended December 31, 2018 and 2017, respectively.

**Note H--Capital Lease**

The Association leases 6,275 square feet of building space under a capital lease agreement originally expiring December 31, 2018. The Association opted to extend the lease until December 31, 2019 and is exercising the option to purchase the leased premises and the undivided one half interest of all common areas at the end of the lease term for \$1,000. At December 31, 2018 and 2017, the principal balance remaining on this capital lease was \$63,087 and \$68,190, respectively. As of December 31, 2018 and 2017, the net book value of the Association's interest in this building was \$576,090 and \$571,145, respectively, which is included in property and equipment on the accompanying statements of financial position.

Amortization expense on the leased asset was \$20,516 for the years ended December 31, 2018 and 2017.

Future minimum payments on this capital lease are as follows:

| <u>Year Ended December 31</u>                        |                         |
|--|-------------------------|
| 2019   | \$ 64,657               |
| Less amount representing interest                    | <u>1,570</u>            |
| <b>Present Value of Net Minimum Lease Obligation</b> | <b><u>\$ 63,087</u></b> |

**Note I--Related Party Transactions**

The Association received \$293,023 and \$285,047 in management fees during 2018 and 2017, respectively, from the Registry to pay for the time and expenses that Association employees expended providing services to the Registry. The Association charged rent to the Registry for the use of office space and office equipment totaling \$26,757 for the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, the Association had amounts receivable from the Registry of \$6,266 and \$3,497, respectively.

Notes to Financial Statements--Continued

**American Saddlebred Horse Association, Inc.**

December 31, 2018 and 2017

**Note J--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, the Association has a strong cash position to cover its monthly financial obligations.

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

|   | <b>December 31</b> |                     |
|---|--------------------|---------------------|
|   | <b>2018</b>        | <b>2017</b>         |
| Cash  | \$ 264,838         | \$ 299,358          |
| Accounts receivable, to be collected in less than one year                                | 25,079             | 24,080              |
| Investments   | <u>1,138,506</u>   | <u>1,348,001</u>    |
| Total financial assets, excluding noncurrent receivables                                  | 1,428,423          | 1,671,439           |
| Contractual or donor-imposed restrictions:  |                    |                     |
| Endowment fund investments  | <u>(597,219)</u>   | <u>(665,696)</u>    |
| <b>Financial Assets Available to Meet Cash<br/>Needs for Expenditures Within One Year</b> | <u>\$ 831,204</u>  | <u>\$ 1,005,743</u> |

**Note K--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 insured limits of approximately \$15,900 and \$50,000 as of December 31, 2018 and 2017, respectively.

**Note L--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 the 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 June 24, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to financial statements.