



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Arabian Horse Association:

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Arabian Horse Association and Arabian Breeders Sweepstakes Trust (the "Combined Organizations") which comprise the combined statement of financial position as of March 31, 2014, and the related combined statements of activities and cash flows for the year 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.

### **Auditor's Responsibility**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

#### *Members:*

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants*  
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## **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Combined Organizations' as of March 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Combined Organization's 2013 financial statements, and our report dated November 1, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedules 1-5 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*JDS Professional Group*

November 4, 2014

**ARABIAN HORSE ASSOCIATION**  
 Combined Statement of Financial Position  
 As of March 31, 2014  
 (with Summarized Financial Information as of March 31, 2013)

	ASSETS						Current Year Total	Prior Year Total
	Unrestricted			Temporarily Restricted	Permanently Restricted			
	Operations	Prize Money Programs	Total					
Assets:								
Cash and Cash Equivalents (Note 4)	\$ 636,549	\$ 117,527	\$ 754,076	\$ 6,263	\$ -	\$ 760,339	\$ 624,980	
Cash Investments (Note 4)	501,694	7,682,562	8,184,256	73,592	53,782	8,311,630	8,802,204	
Accounts Receivable -								
Interest	73,406	261	73,667	2,142	-	75,809	82,393	
Trade	148,991	-	148,991	-	-	148,991	95,561	
Allowance for Doubtful Accounts	(22,502)	-	(22,502)	-	-	(22,502)	(22,400)	
Notes Receivable (Note 6)	55,741	-	55,741	-	-	55,741	77,957	
Inventory, at lower of cost (Weighted Average) or market	64,541	-	64,541	-	-	64,541	76,133	
Prepayments and Other Assets	137,722	-	137,722	-	-	137,722	162,085	
Interfund Receivable/(Payable)	(250,298)	252,885	2,587	(2,567)	(20)	-	-	
Property and equipment, net of accumulated depreciation of \$5,356,791 (Note 7)	1,987,072	-	1,987,072	-	-	1,987,072	2,447,490	
<b>TOTAL ASSETS</b>	<b>\$ 3,332,916</b>	<b>\$ 8,053,235</b>	<b>\$ 11,386,151</b>	<b>\$ 79,430</b>	<b>\$ 53,762</b>	<b>\$ 11,519,343</b>	<b>\$ 12,346,403</b>	
	<b>LIABILITIES AND NET ASSETS</b>							
Liabilities:								
Accounts Payable	\$ 359,196	\$ 7,294	\$ 366,490	\$ -	\$ -	\$ 366,490	\$ 394,912	
Accrued Liabilities	190,256	19,025	209,281	-	-	209,281	207,256	
Capital Lease Obligations (Note 13)	12,878	-	12,878	-	-	12,878	51,181	
Deferred Revenues (Note 8)	808,984	-	808,984	-	-	808,984	780,839	
Obligations to prize programs (Note 9)	55,741	8,026,916	8,082,657	-	-	8,082,657	8,244,096	
Total Liabilities	1,427,055	8,053,235	9,480,290	-	-	9,480,290	9,678,284	
Contingencies & Commitments (Note 16)								
Net Assets: (Note 10)								
Unrestricted								
Undesignated	901,589	-	901,589	-	-	901,589	1,505,954	
Designated	1,004,272	-	1,004,272	-	-	1,004,272	1,028,983	
Total unrestricted net assets	1,905,861	-	1,905,861	-	-	1,905,861	2,534,937	
Temporarily Restricted	-	-	-	79,430	-	79,430	79,420	
Permanently Restricted	-	-	-	-	53,762	53,762	53,762	
Total Net Assets	1,905,861	-	1,905,861	79,430	53,762	2,039,053	2,668,119	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,332,916</b>	<b>\$ 8,053,235</b>	<b>\$ 11,386,151</b>	<b>\$ 79,430</b>	<b>\$ 53,762</b>	<b>\$ 11,519,343</b>	<b>\$ 12,346,403</b>	

The accompanying notes are an integral part of the financial statements.

**ARABIAN HORSE ASSOCIATION**  
 Combined Statement of Activities  
 For the Year Ended March 31, 2014  
 (with Summarized Financial Information for the year ended March 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>					
Horse shows	\$ 5,510,517	\$ -	\$ -	\$ 5,510,517	\$ 4,917,043
Registrations	1,205,348	-	-	1,205,348	1,109,037
Memberships dues	915,312	-	-	915,312	980,725
Service fees	744,251	-	-	744,251	657,381
Advertising	378,599	-	-	378,599	419,008
Judges program fees	349,352	-	-	349,352	315,972
Sponsorship/donations	76,503	-	-	76,503	129,662
Breeders' Sweepstakes interest	206,658	-	-	206,658	253,140
Merchandising	223,414	10	-	223,424	211,472
Other interest	48,067	-	-	48,067	45,519
Fund raising	29,858	-	-	29,858	12,929
Other	57,267	-	-	57,267	18,401
Net assets release from restrictions:					
Satisfaction of program restrictions	-	-	-	-	-
Total Revenue and Other Support	<u>9,745,146</u>	<u>10</u>	<u>-</u>	<u>9,745,156</u>	<u>9,070,289</u>
<b>EXPENSES:</b>					
Program Services -					
Events and shows	4,404,285	-	-	4,404,285	4,011,939
Sales and marketing	998,821	-	-	998,821	1,009,657
Member services	117,383	-	-	117,383	119,028
Registry services	565,822	-	-	565,822	574,218
Judges programs	383,494	-	-	383,494	353,145
Total Program Expenses	<u>6,469,805</u>	<u>-</u>	<u>-</u>	<u>6,469,805</u>	<u>6,067,987</u>
Supporting Services -					
General administration	2,937,573	-	-	2,937,573	2,941,366
Membership development	63,696	-	-	63,696	65,713
Total Supporting Services Expenses	<u>3,001,269</u>	<u>-</u>	<u>-</u>	<u>3,001,269</u>	<u>3,007,079</u>
Total Expenses	<u>9,471,074</u>	<u>-</u>	<u>-</u>	<u>9,471,074</u>	<u>9,075,066</u>
Changes in Net Assets before Gain (Loss) on Investments, and Royalty Expenses	274,072	10	-	274,082	(4,777)
Realized and Unrealized Gain (Loss) on Investments	(552,332)	-	-	(552,332)	10,251
Royalty expense (Note 16)	<u>(350,816)</u>	<u>-</u>	<u>-</u>	<u>(350,816)</u>	<u>(321,139)</u>
<b>CHANGES IN NET ASSETS</b>	<b>(629,076)</b>	<b>10</b>	<b>-</b>	<b>(629,066)</b>	<b>(315,665)</b>
Net Assets, Beginning of Year	<u>2,534,937</u>	<u>79,420</u>	<u>53,762</u>	<u>2,668,119</u>	<u>2,983,784</u>
Net Assets, End of Year	<u>\$ 1,905,861</u>	<u>\$ 79,430</u>	<u>\$ 53,762</u>	<u>\$ 2,039,053</u>	<u>\$ 2,668,119</u>

The accompanying notes are an integral part of the financial statements.

**ARABIAN HORSE ASSOCIATION**  
 Combined Statement of Cash Flows  
 For the Year ended March 31, 2013  
 (with Summarized Financial Information for the year ended March 31, 2012)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Prior Year Total
	Operations	Prize Money Programs	Total				
Cash flows from operating activities:							
Changes in Net Assets	\$ (629,076)	\$ -	\$ (629,076)	\$ 10	\$ -	\$ (629,066)	\$ (315,665)
Adjustments to reconcile Change in Net Assets to net cash provided by operating activities:							
Depreciation	692,341	-	692,341	-	-	692,341	666,314
Allowance for doubtful accounts	102	-	102	-	-	102	13,394
(Gain)/loss on investment fair market	552,332	-	552,332	-	-	552,332	(10,251)
Decrease (increase) in accounts receivable	(46,598)	(8)	(46,606)	(240)	-	(46,846)	99,963
Decrease (increase) in notes receivable	22,216	-	22,216	-	-	22,216	31,588
Decrease (increase) in inventories	11,592	-	11,592	-	-	11,592	(70,157)
Decrease (increase) in prepayments	24,363	-	24,363	-	-	24,363	(59,501)
Increase (decrease) in accounts payable	(23,125)	(4,912)	(28,037)	-	-	(28,037)	1,405
Increase/(decrease) in interfund payable	(18,113)	17,562	(551)	(325)	876	-	-
Increase (decrease) in accrued liabilities	(9,764)	11,789	2,025	-	-	2,025	(16,887)
Increase (decrease) in deferred revenue	28,145	-	28,145	-	-	28,145	(69,944)
Increase (decrease) in obligations to prize money programs	(22,217)	(139,607)	(161,824)	-	-	(161,824)	(229,852)
Net cash provided by (used in) operating activities	<u>582,198</u>	<u>(115,176)</u>	<u>467,022</u>	<u>(555)</u>	<u>876</u>	<u>467,343</u>	<u>40,407</u>
Cash flows from investing activities:							
Purchases of property and equipment	(231,923)	-	(231,923)	-	-	(231,923)	(18,178)
Net investment activity	(167,563)	106,123	(61,440)	558	(876)	(61,758)	(2,039)
Net cash provided by (used in) investing activities	<u>(399,486)</u>	<u>106,123</u>	<u>(293,363)</u>	<u>558</u>	<u>(876)</u>	<u>(293,681)</u>	<u>(70,616)</u>
Cash flows from financing activities:							
Issuance of new capital lease	-	-	-	-	-	-	17,669
Payments on capital lease obligations	(38,303)	-	(38,303)	-	-	(38,303)	(40,098)
Net cash (used in) financing activities	<u>(38,303)</u>	<u>-</u>	<u>(38,303)</u>	<u>-</u>	<u>-</u>	<u>(38,303)</u>	<u>(36,834)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>144,409</b>	<b>(9,053)</b>	<b>135,356</b>	<b>3</b>	<b>-</b>	<b>135,359</b>	<b>(2,239)</b>
Cash and Cash Equivalents at Beginning of Year	<u>492,140</u>	<u>126,580</u>	<u>618,720</u>	<u>6,260</u>	<u>-</u>	<u>624,980</u>	<u>627,219</u>
Cash and Cash Equivalents at End of Year	<u>\$ 636,549</u>	<u>\$ 117,527</u>	<u>\$ 754,076</u>	<u>\$ 6,263</u>	<u>\$ -</u>	<u>\$ 760,339</u>	<u>\$ 624,980</u>

The accompanying notes are an integral part of the financial statements.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
For the Year Ended March 31, 2014

(1) **Reporting Entity**

**Purposes of the Organization**

Combined financial states are based on the assumption that they present the financial positions and results of operations as a single entity. The reporting entity referred to as the “Combined Organizations” includes the accounts of two organizations, Arabian Horse Association (the “Association”) and the Arabian Breeders Sweepstakes Trust (the “Sweepstakes Trust”). All significant intercompany accounts and transactions have been eliminated.

The Association is a non-profit corporation. The Association was incorporated to aid and encourage the breeding, exhibiting, use and perpetuation of the Arabian horse as well as Half-Arabian and Anglo-Arabian horses. The majority of the Combined Organizations’ revenues are derived from national championship Arabian horse shows, Arabian, Half-Arabian and Anglo-Arabian horse registration revenue, memberships and program service fees.

The Sweepstakes Trust is a Trust duly and legally existing under and by virtue of Colorado law. The Sweepstakes Trust was formed in May 1984 and received Federal tax-exempt status in November 2010. The Sweepstakes Trust was established to perform the purposes stated in Internal Revenue Code 501(c)(5) including aiding and encouraging the breeding, exhibiting, using, and perpetuation of the Arabian, Half-Arabian, and Anglo-Arabian horses. The Trustee of the Sweepstakes Trust is the Arabian Horse Association acting by and through its Board of Directors. The majority of the Sweepstakes Trusts’ revenues are derived from program entry fees.

**Description of Unrestricted Program Activities and Supporting Services**

**Events and Shows**

The Events and Shows program expenses include costs related to the management and maintenance of the records for the Association’s horse shows and other events. The following is a description of these activities:

**Events**

The Association sponsors the following Arabian, Half-Arabian and Anglo-Arabian horse show competitions during the year: U.S. Nationals, Canadian Nationals, Youth Nationals, Sport Horse Nationals, Championship Endurance Ride and Championship Competitive Trail Ride. The Association works with applicable volunteer committees to promote and manage these competitions. Included in this area is the cost to fulfill the commitments associated with commercial exhibit space, patron packages, event seating, farm flags and event sponsors for the Association’s national events.

**Convention**

The Association holds an annual meeting where delegates from the Association’s Member Organizations gather to carry on the business of the Association. Such business includes the election of officers, meetings of committees and the consideration of resolutions. The Association works with the applicable volunteer committees in order to promote and coordinate the convention.

**Youth Activities**

The Association develops and administers activities for its members who are age eighteen and under. Such activities include the Arabian Horse Youth Association, regional youth team tournaments, youth achievement awards and horse judging contests.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Sales and Marketing**

The Sales and Marketing expenses span several budget departments and related expenses. Responsibilities include advancing the corporate identity and visibility of AHA products and services and Arabian, Half-Arabian and Anglo-Arabian horses to the public, production of the *Modern Arabian Horse* magazine, marketing collaterals and advertising; as well as sales of sponsorships and advertising in the AHA Magazine and other publications.

**Market Development & Promotion**

These expenses relate to the execution of the Market Development & Promotion Plan which includes design and printing of promotional materials, advertising in AHA and non-AHA publications, attendance at exhibitions for the purpose of promoting the Arabian/Half-Arabian horses and AHA, the development of educational materials and videos, trophies/awards related to Incentive Riding Programs and other recognition programs. Other expenses relate to the Market Development and Promotion Committee meetings and staff travel expenses to various events and meetings.

**Communications**

The responsibilities of Communications are to write copy for collateral materials, press releases, AHA website and advertising used by departments across AHA. Expenses relate to the purchase of photography management of press releases and public relations contacts, educational publications and memberships, as well as staff travel and lodging related to covering AHA events.

**Design and Publications**

The Association designs and produces many of its printed materials such as pamphlets, flyers, brochures, prize lists, forms, show programs, convention materials and the annual handbook. The Association also designs, produces and distributes the *Modern Arabian Horse* magazine. This magazine is produced six times a year and provides the latest information about the Association and the Arabian horse industry. The *Modern Arabian Horse* magazine is distributed to the membership of the Association and other interested parties.

**Sponsorships and Merchandisers**

Sponsorship expenses include the related costs and staff time for the fulfillment of sponsorship contractual requirements and merchandising relationships. In addition, various office supplies and related costs are incurred to support sales and fulfillment by staff of sponsorship and merchandiser relationships.

**Event Sales**

Expenses included relate to the sale of event packages such as commercial exhibit space, patronships and sponsorships.

**Member Services**

Member Services program expenses include the costs of maintaining the membership records of the Combined Organizations and administering the following program activities:

**Shows**

The Association is responsible for recognizing US Equestrian Federation rated and Equine Canada equivalent shows. Association recognition is sought so that show exhibitors can earn qualification points for future shows and for achievement awards. Expenses include the cost of administering the recognition process, maintaining the related show results records and processing the national show entries.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Achievement Awards**

The Association administers and issues achievement awards for all Arabian, Half-Arabian and Anglo-Arabian horses and amateur exhibitors that are enrolled in this program.

**Agency Relationships**

The Association acts in an agency capacity for the Sweepstakes, Halter Futurity, Yearling Jackpot and Performance Futurity programs. This includes the collection of all cash, payment of prize money and the record keeping for all facets of these programs (see supplemental financial statements). Net interest on the entries received in the Sweepstakes, Yearling Jackpot, and Performance Futurity programs is added to prize payout for these programs. Interest on the entries received in the Halter Futurity program is used to support the activities of the Association.

**Registry Services**

The Association registers and transfers the recorded ownership of Arabian, Half-Arabian and the Anglo-Arabian horses. Expenses include the cost of maintaining the registration and transfer for these stud books, genetic testing, racing certificates, registration certificate changes, special service file investigations and delivery of customer service.

**Judges Programs**

The Judges program expenses include the costs associated with the operation of the Judges & Stewards Commissioner's office including judges schools, seminars, evaluations and all related committees. Also included are the costs associated with the Majority Opinion Scoring system.

**General Administration**

General administration expenses include business management, office, building, purchasing, information systems, accounting, human resources, legal, insurance, general public relations and Board and committee operations.

**Membership Development**

Membership development expenses include costs related to promoting membership in the Association and developing and providing new services and benefits to its members.

(2) **Summary of Significant Accounting Policies**

**Method of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**Basis of Presentation**

The Combined Organizations is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of March 31, 2014, the Organizations had all three net asset classes.



**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Combined Organizations considers all highly liquid debt instruments purchased with an initial maturity of three months or less, except for money market funds, to be cash equivalents.

**Fair Value Measurements**

The Combined Organizations follows *Fair Value Measurements* which among other things require enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Combined Organizations has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value

*U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market:* Approximates fair value because of the immediate or short-term maturities of these financial statements.

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 Combined Organizations 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.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Trade Receivables**

Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance 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 valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**Property and Equipment**

Property and equipment is stated at cost or fair market value, if donated, and depreciated over the following estimated useful lives using the straight-line method:

Furniture and fixtures	10 years
Equipment and software	5 years
Films	3 years
Building & Land Improvements	10 years
Building	30 years

Expenditures for maintenance, repairs and minor replacements are charged to operations and expenditures for major replacements and improvements of \$1,000 or more are capitalized.

Capital leases are recorded at the lower of fair market value or the present value of future minimum lease payments. Amortization of capital leases is included with depreciation expense.

**Donated Services**

A significant portion of the Association's functions, which are conducted by unpaid volunteers, is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

**Revenue Recognition**

Registration revenues are recognized when received with an allowance provided for potential cancelled transactions. Life membership revenue is recognized over the expected active membership period which has been determined at ten years. Other membership revenue is recognized over the term of the membership. Convention and national championship events revenue are recognized in the month the convention or event occurs. Other revenue is recognized as earned. As of March 31, 2014, the Association recorded deferred revenue which represents revenue collected during the fiscal year that applies to activity of subsequent years.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities as net assets released from restrictions.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Prior Year Summarized Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Combined Organizations financial statements for the year ended March 31, 2013, from which the summarized information was derived.

**Evaluation of Subsequent Events**

The Combined Organizations has performed an evaluation of subsequent events through November 4, 2014 which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

**(3) Tax Exempt Status**

The Association and Sweepstakes Trust are exempt from income tax under 501(c) (5) of the Internal Revenue Code except for amounts representing unrelated business income.

Certain portions of the Combined Organizations' operations are subject to unrelated business income tax. No income tax expense was incurred for the year ended March 31, 2014.

The Combined Organizations follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended March 31, 2014, the Combined Organizations' management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Combined Organizations is no longer subject to U.S. federal and state income tax audits on its Form 990 and Form 990-T for years prior to Fiscal Year 2011, and is no longer subject to audits on its related state return by taxing authorities for years prior to Fiscal Year 2010. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Combined Organizations believes no issues would arise. Historically, the Sweepstakes Trust's has operated as a division of the Association and accordingly, the Sweepstakes Trust's activity has been included in the Association's tax return. The Sweepstakes Trust applied for its own tax exempt status and was notified on May 8, 2012, the acceptance of such tax exempt status by the Internal Revenue Service. The Sweepstakes Trust commenced filing its own Form 990 beginning with the fiscal year ended March 31, 2012.

The deferred tax asset for the year ended March 31, 2014 was \$30,640 which is included in prepayments and other assets. This reflects the income tax impact of the estimated net operating loss carry-forward in the amount of \$157,940 which will expire during the years 2027 – 2030.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**(4) Cash Investments and Concentration of Credit Risk**

The following table presents the Combined Organizations fair value hierarchy for those assets measured at fair value on a recurring basis as of March 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market	\$ 1,111,950	\$ -	\$ -	\$ 1,111,950
U.S. Federal Bonds	7,199,680	-	-	7,199,680
Total	<u>\$ 8,311,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,311,630</u>

**Concentration of Credit Risk:**

The money markets invest in U.S. government securities and are not concentrated in any specific U.S. geographical area or industry group. U.S. obligations are backed by the full faith and credit of the U.S. government.

The majority of the Combined Organizations cash demand deposits are held at financial institutions in which deposits are insured up to \$250,000 per institution by the FDIC. As of March 31, 2014, the Combined Organizations cash demand deposits held at financial institutions exceeded the FDIC's insurance limit by approximately \$291,000.

**(5) Prize Money Program Assets**

Sweepstakes assets are held in trust by the Combined Organizations for its Sweepstakes program participants. The agreement governing the trust and the rules and regulations of the Sweepstakes program mandate that the principal of these assets shall be used solely to fund awards to Sweepstakes winners and for no other purpose during the duration of the Sweepstakes program.

In addition, the Association acts in an agency capacity for the Halter Futurity, Yearling Jackpot and Performance Futurity prize money program assets.

	<u>Cash</u>	<u>Cash Investments</u>	<u>Interfund Receivable</u>	<u>Interest</u>	<u>Total</u>
Sweepstakes program	\$ 108,767	\$ 7,009,025	\$ (16,216)	\$ -	\$ 7,101,577
Halter Futurity	8,760	673,537	95,948	-	778,244
Yearling Jackpot	-	-	10,653	261	10,914
Performance Futurity	-	-	162,500	-	162,500
Total	<u>\$ 117,527</u>	<u>\$ 7,682,562</u>	<u>\$ 252,885</u>	<u>\$ 261</u>	<u>\$ 8,053,235</u>

The net interest earned on the cash investments of the Sweepstakes and Performance Futurity programs is added to prize money payout for these programs. The net interest earned on cash investments of the Halter Futurity program is used to support the activities of the Association. The realized and unrealized gains or losses on the cash investments of the Sweepstakes, Halter Futurity and Performance Futurity programs are recognized as unrestricted income available for the activities of the Association. Yearling Jackpot interest is added on to prize money payout for associated classes.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**(6) Sweepstakes Notes Receivable**

On April 1, 2005, the Combined Organizations changed from taking promissory notes from participants in the Sweepstakes program who wished to finance their entries to a deferred billing program which accomplished the same purpose but is administered more efficiently. Each form of financing is a contractual obligation of the participant. Although money collected on these receivables is an asset of the Sweepstakes Trust, the receivable itself is not considered to be an asset of the Trust. The Trust agreement prevents any amounts not yet actually received from being included in the assets available to pay prize money. As payments are received, they are then included in the total Sweepstakes program assets available for payment of prize money. As of March 31, 2014, the carrying value approximated the fair market value. The receivables are determined to be past due based upon the contractual terms. The receivable is shown net of approximately \$7,671 in notes receivable that is considered potentially uncollectible.

**(7) Property and Equipment**

All property and equipment is stated at cost. A summary of capitalized property and equipment is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture	\$ 316,687	\$ 313,855	2,832
Equipment and software	5,470,474	4,147,964	1,322,510
Films	82,714	82,714	-
Building	1,021,938	628,005	393,933
Building improvements	195,134	170,234	24,900
Land	162,925	-	162,925
Land improvements	14,019	14,019	-
Work In Process	79,972	-	79,972
	<u>\$ 7,343,863</u>	<u>\$ 5,356,791</u>	<u>\$ 1,987,072</u>

**(8) Unrestricted Deferred Revenue**

Unrestricted deferred revenue consists of the following as of March 31, 2014:

Membership dues	\$ 784,341
Other	24,643
	<u>\$ 808,984</u>

Deferred membership dues represent the portion of membership revenue collected during the current fiscal year that applies to activity for subsequent fiscal years. The deferred horse show revenue represents revenue collected during the current fiscal year for events held during the next fiscal year. The proceeds from such events might be refunded if the event were canceled.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**(9) Obligation to Prize Money Programs**

Agency obligations consist of the following:

	Breeder's Sweepstakes	Halter Futurity	Yearling Jackpot	Performance Futurity	Total
Liabilities:					
Accounts payable	\$ 7,294	\$ -	\$ -	\$ -	\$ 7,294
Accrued liabilities	<u>19,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,025</u>
Prize money program assets currently committed	26,319	-	-	-	26,319
Amounts retained for future payout	<u>7,075,258</u>	<u>778,244</u>	<u>10,914</u>	<u>162,500</u>	<u>8,026,916</u>
Obligations to prize money programs	<u>\$ 7,101,577</u>	<u>\$ 778,244</u>	<u>\$ 10,914</u>	<u>\$ 162,500</u>	<u>\$ 8,053,235</u>
Obligation related to Sweepstakes Promissory Notes & Deferred Billing					<u>55,741</u>
					<u>\$ 8,108,976</u>

Sweepstakes accounts payable is primarily due to unclaimed Sweepstakes checks and amounts due for government withholdings as of March 31, 2014. Accrued liabilities are prize money amounts that have been won and are in the process of being paid as of March 31, 2014.

Sweepstakes promissory notes and deferred billings represent amounts owed from participants in the Sweepstakes program who have elected to finance Sweepstakes entry nominations. New financing arrangements increase this reported amount and payments received from participants will decrease this amount.

**(10) Net Assets**

**Unrestricted Net Assets**

Unrestricted net assets are available to fund current operations of the Association. Certain portions of unrestricted net assets have been designated by the Association's Board of Directors or by Convention resolution to be used for specific purposes.

**Undesignated Net Assets**

Undesignated net assets represent the accumulated excess of unrestricted revenues over expenses that have not been set aside by the Board of Directors as designated net assets.

**Designated Net Assets**

Designated net assets are those assets that have been designated by the Association's Board of Directors or by Convention resolution for specific purposes.

**Education and Evaluation Net Assets**

Participants at certain horse shows are required to pay additional entry fees in order to fund a judges and stewards education and evaluation program. In accordance with the resolution establishing this program, the related activity produces designated net assets. As of March 31, 2014, the Education and Evaluation designated funds amounted to \$329,818.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Scoring Net Assets**

Participants at certain horse shows are required to pay additional fees in order to fund the implementation and administration of the Majority Opinion Scoring (MOS) system. In accordance with the resolution establishing this system, the related activity produces designated net assets. As of March 31, 2014, scoring designated funds amounted to \$37,344.

**Legal Defense Fund**

The Legal Defense Fund, established in 1999, is funded by donations, settlements of legal action and the interest earned thereon. Such funds are used only for legal expenses related to legal defense. Donations are classified as temporarily restricted funds and settlements and interest are unrestricted designated funds. The Legal Defense Fund unrestricted designated funds as of March 31, 2014, amounted to \$83,711.

**Half-Arabian/Anglo-Arabian Promotional Fund**

The Half-Arabian/Anglo-Arabian Promotional Fund, established in 2003 as a part of the merger between International Arabian Horse Association and the Arabian Horse Registry of America, is funded by the Association out of Half-Arabian and Anglo-Arabian registration revenue. One-third of the revenues are transferred to this fund. The purpose of the fund is to provide promotional activities that will promote the Half-Arabian and Anglo-Arabian horses. One-third of the revenues for the year were \$51,327 and related expenses were \$87,004. The Half-Arabian/Anglo-Arabian Promotional Fund as of March 31, 2014, amounted to \$102,215.

**Contingency Fund**

The Board of Directors designated \$452,574 as of March 31, 2014, for future repairs, replacements, or other unexpected expenses.

**Restricted Net Assets**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets may only be used according to specific donor imposed stipulations. Once these stipulations are met, either through the passage of time or by actions of the Association, these assets will be released from the temporary restriction. Donations to the Legal Defense Fund are classified as temporarily restricted net assets. Such funds are used only for legal expenses related to legal defense. Temporarily restricted net assets consist of the following as of March 31, 2014:

Legal Defense fund	\$ 68,002
Other	<u>11,428</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 79,430</u></u>

**Permanently Restricted Net Assets**

Permanently restricted net assets as of March 31, 2014, consisted of the Yearling Jackpot with earnings to be used for future prize payouts.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

**Legal Defense Fund**

The Legal Defense Fund consists of temporarily restricted funds made up solely of donations and unrestricted designated funds from all other sources including, but not limited to, settlements and interest earned on investments. The balances in the areas making up the Legal Defense Fund as of March 31, 2014, are as follows:

Unrestricted designated funds	\$ 83,711
Temporarily restricted funds	<u>68,002</u>
	<u>\$ 151,713</u>

**(11) Endowment**

General

The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in make a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Changes in Endowment Net Assets as of March 31, 2014

	<u>Permanently Restricted</u>
Endowment net assets, beginning of the year	\$ 53,762
Changes and reclassifications	<u>-</u>
Endowment net assets, end of year	<u>\$ 53,762</u>

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Association's policy towards the Yearling Jackpot investment account is that investment earnings are to be added to the pool of money paid out to competition members who enter, show and win in classes designated as Yearling Jackpot classes at the National level.



**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. As of March 31, 2014, such deficiencies amounted to \$0.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**(12) Employee 401(k) Plan/Pension Plan**

The Association's 401(k) plan allows no more than 17% of a participant's compensation to be allocated to a participant's account during any plan year. The Association does not match participant contributions. Total expenses for this 401(k) plan for the fiscal year ending March 31, 2014, are \$0. The Association suspended the employer match contribution on March 1, 2009. Neither the assets nor the liabilities of the pension plan/401(k) plan are reflected in these financial statements. The Association's plan obligation for the year end March 31, 2014, is fully funded.

**(13) Capital Lease Obligations**

The following represent obligations under capital leases for equipment as of March 31, 2014:

Due in monthly installments of principal and interest of \$458 through October 2016, interest rate 10.2%, secured by equipment.	\$ 14,650
Less: interest	<u>1,772</u>
Present value of future minimum lease payments	12,878
Less: current portion	<u>4,428</u>
Total long term portion	<u><u>\$ 8,450</u></u>

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

Future annual maturities of these obligations as of March 31, 2014, are as follows:

2015	\$ 4,428
2016	4,904
2017	3,546
	<u>\$ 12,878</u>

**(14) Operating Lease Commitment**

During July 2008, the Association entered into an operating lease to lease storage space. The term of the lease is from July 2008 to August 2014. In addition, the Association has entered into leases for office equipment and storage space, with various lease term expirations through May 2015.

Future minimum rental payments are as follows:

	<u>Storage</u>	<u>Other</u>	<u>Total</u>
2015	\$ 11,370	3,600	14,970

Total rent expense for the year ended March 31, 2014, was \$30,610.

**(15) Litigation**

As of March 31, 2014, the Combined Organizations had no lawsuits outstanding. A Legal Defense Fund has been established to fund legal expenses associated with lawsuits brought against the Association to prevent further depletion of operating funds.

**(16) Commitments and Contingencies**

**License Agreement**

Pursuant to the Merger Agreement which formed the Association, there exists a License Agreement (the "Agreement") between the Association and The Purebred Arabian Trust (the "Trust"). In this agreement, the Trust granted to the Association an exclusive, perpetual license to use the database, software, and information technology in conducting its Purebred Registration activities. In consideration of this license, the Association pays to the Trust a royalty of one-third of purebred registration revenues. The Agreement may be altered, amended or revoked only by an instrument in writing signed by all parties to the Agreement. In the year ended March 31, 2014, the Association paid to the Trust \$350,816 in royalty. Ownership of the licensed rights remains with the Trust and in the event that a bankruptcy or dissolution of the Association occurs or the failure to pay royalty, the licensed rights would revert to the Trust. The Arabian Horse Association Market Development and Promotion Committee may solicit funding for Purebred marketing or promotional activities from the Trust. The Trustees of the Trust may, at their sole discretion, agree to fund the Purebred marketing or promotional activities. In the year ended March 31, 2014, the Trust funded promotional activities in the amount of \$0. Since inception, the Association has paid to the Trust \$5,009,821 in royalty and the Trust has funded Market Development & Promotion activities within the Association in the amount of \$1,849,363.

**Website Rebuild Project**

In September 2013, the Association entered into an agreement to pay for a rebuild project of the Association's website. The project commenced in the third quarter of 2013, and the estimated commitment is \$305,000 over the course of the contract. As of March 31, 2014 the Association had incurred costs of \$79,972, which is currently included in Construction in Progress.

**ARABIAN HORSE ASSOCIATION**  
Notes to Combined Financial Statements  
(continued)

(17) **Expenses**

Total expenses for the year ended March 31, 2014, were as follows:

	<u>Total Expense</u>	<u>Less: Royalty Expense</u>	<u>Total Expense Reported By Function</u>
Program expenses	\$ 6,820,621	\$ (350,816)	\$ 6,469,805
Supporting services	3,001,269	-	3,001,269
Total expenses	<u>\$ 9,821,890</u>	<u>\$ (350,816)</u>	<u>\$ 9,471,074</u>

The Combined Organizations uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended March 31, 2014, advertising costs totaled \$10,297.

ARABIAN BREEDERS SWEEPSTAKES TRUST  
Sweepstakes Supplemental Schedule of Financial Position  
As of March 31, 2014 and March 31, 2013

	Balance as of Mar-14	Balance as of Mar-13
<u>ASSETS</u>		
Cash	\$ 108,767	\$ 103,793
Cash Investments	\$ 7,009,025	\$ 7,109,951
Interfund Receivable	\$ (16,216)	\$ (4,952)
TOTAL ASSETS	\$ 7,101,577	\$ 7,208,793
 <u>LIABILITIES</u>		
Accounts Payable (1)	\$ 7,293	\$ 12,591
Accrued Liabilities (2)	19,025	7,236
Prize Money Program Assets Currently Committed	26,318	19,827
Amounts Retained for Future payout	7,075,258	7,188,965
TOTAL LIABILITIES	\$ 7,101,577	\$ 7,208,793

(1) Amounts in Sweepstakes accounts payable are primarily due to unclaimed Sweepstakes checks amounts due for government withholdings and unfunded disbursements as of period end.

(2) Amounts in Sweepstakes accrued liabilities are prize money amounts that have been won and are in the process of being paid as of period end.

ARABIAN BREEDERS SWEEPSTAKES TRUST  
Sweepstakes Supplemental Schedule of Activities  
For the periods ended March 31, 2014 and March 31, 2013

	Balance as of Mar-14	Balance as of Mar-13
<u>RECEIPTS</u>		
Entries	\$ 702,360	\$ 752,358
Interest	\$ -	\$ 1,250
<u>EXPENDITURES</u>		
Prize Money (3)	816,067	855,884
INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	\$ (113,707)	\$ (102,277)
Amounts Retained for Future Payout, Beginning of Period	\$ 7,188,965	\$ 7,291,242
Amounts Retained for Future Payout, End of Period	\$ 7,075,258	\$ 7,188,965

(3) Prize money expenditures, reported on a fiscal year basis, may show variances resulting from timing differences in reporting show results and the payout of prize money.

## ARABIAN BREEDERS SWEEPSTAKES TRUST

## Sweepstakes Investments

As of March 31, 2014

<u>Description</u>	<u>Maturity Date</u>	<u>Face Value or Cost Basis</u>	<u>Face Yield</u>
Cash	n/a	\$ <u>108,767</u>	0.00%
Money Market	next day	\$ <u>759,587</u>	0.10%
U.S. Government Bonds:			
FFCB Note	Nov-19	\$ 201,146	3.95%
FHLMC Note	Mar-21	249,472	5.40%
FNMA Note	Oct-21	548,353	5.45%
FHLB Note	Aug-22	150,000	1.00%
FHLB Note	May-28	300,792	2.38%
FNMA Note	Dec-28	210,301	5.00%
FHLMC Note	Jul-30	225,582	4.05%
FHLMC Note	Jul-30	185,987	4.00%
FHLMC Note	Jul-30	225,045	3.90%
FHLMC Note	Jul-30	227,350	3.90%
FNMA Note	Dec-32	50,000	2.00%
FNMA Note	Apr-36	291,464	6.00%
FNMA Note	Oct-37	108,946	5.80%
FNMA Note	Dec-27	250,000	2.00%
FHLB Note	Dec-27	300,000	2.25%
FFCB Note	Nov-29	900,000	3.50%
FNMA Note	Apr-30	250,000	3.00%
FHLB Note	Sep-30	350,000	3.18%
FNMA Note	Feb-33	325,000	3.00%
FHLB Note	Sep-34	400,000	3.37%
FHLB Note	Sep-37	500,000	3.46%
total bonds		\$ <u>6,249,438</u>	
<b>Total Cash and Investments</b>		<b>\$ <u>7,117,792</u></b>	

ARABIAN HORSE ASSOCIATION  
Halter Futurity Supplemental Schedule of Financial Position  
As of March 31, 2014 and March 31, 2013

	<u>Balance</u> <u>as of Mar-14</u>	<u>Balance</u> <u>as of Mar-13</u>
<u>ASSETS</u>		
Cash	\$ 8,760	\$ 22,787
Cash Investments	673,537	678,733
Interfund Receivable	<u>95,948</u>	<u>106,074</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 778,244</u></b>	<b><u>\$ 807,594</u></b>
<u>LIABILITIES</u>		
Accrued Liabilities	\$ -	\$ -
Amounts Retained for Future Payout	<u>778,244</u>	<u>807,594</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 778,244</u></b>	<b><u>\$ 807,594</u></b>

ARABIAN HORSE ASSOCIATION  
Halter Futurity Supplemental Schedule of Activities  
For the periods ended March 31, 2014 and March 31, 2013

	<u>Balance</u> <u>as of Mar-14</u>	<u>Balance</u> <u>as of Mar-13</u>
<u>RECEIPTS</u>		
Nominations	\$ 54,690	\$ 60,660
Renominations	86,030	100,345
Late Fees	13,900	25,435
Show fees	<u>2,500</u>	<u>12,100</u>
<b>TOTAL RECEIPTS</b>	<b><u>157,120</u></b>	<b><u>198,540</u></b>
<u>EXPENDITURES</u>		
Trophies and awards	-	4,130
Prize Money	<u>186,470</u>	<u>304,266</u>
<b>TOTAL EXPENDITURES</b>	<b><u>186,470</u></b>	<b><u>308,396</u></b>
<b>INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM</b>	<b>(29,350)</b>	<b>(109,856)</b>
Amounts Retained for Future Payout, Beginning of Period	<u>807,594</u>	<u>917,450</u>
Amounts Retained for Future Payout, End of Period	<b><u>\$ 778,244</u></b>	<b><u>\$ 807,594</u></b>

ARABIAN HORSE ASSOCIATION  
Yearling Jackpot Supplemental Schedule of Financial Position  
As of March 31, 2014 and March 31, 2013

	<u>Balance as of Mar-14</u>	<u>Balance as of Mar-13</u>
<u>ASSETS</u>		
Cash & Investments	\$ -	\$ -
Interfund Receivable	\$ 10,653	\$ 9,652
Accrued Interest	<u>\$ 261</u>	<u>\$ 253</u>
 TOTAL ASSETS	 <u><u>\$ 10,914</u></u>	 <u><u>\$ 9,905</u></u>
 <u>LIABILITIES</u>		
Amounts Retained for Future Payout	<u>\$ 10,914</u>	<u>\$ 9,905</u>
 TOTAL LIABILITIES	 <u><u>\$ 10,914</u></u>	 <u><u>\$ 9,905</u></u>

ARABIAN HORSE ASSOCIATION  
Yearling Jackpot Supplemental Schedule of Activities  
For the periods ended March 31, 2014 and March 31, 2013

	<u>Balance as of Mar-14</u>	<u>Balance as of Mar-13</u>
<u>RECEIPTS</u>		
Entries	\$ -	\$ -
Interest	<u>\$ 1,009</u>	<u>\$ 312</u>
 TOTAL RECEIPTS	 <u><u>\$ 1,009</u></u>	 <u><u>\$ 312</u></u>
 <u>EXPENDITURES</u>		
Prize Money	<u>\$ -</u>	<u>\$ (181)</u>
 INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	 \$ 1,009	 \$ 493
Amounts Retained for Future Payout, Beginning of Period	<u>\$ 9,905</u>	<u>\$ 9,412</u>
Amounts Retained for Future Payout, End of Period	<u><u>\$ 10,914</u></u>	<u><u>\$ 9,905</u></u>

ARABIAN HORSE ASSOCIATION  
Performance Futurity Supplemental Schedule of Financial Position  
As of March 31, 2014 and March 31, 2013

	<u>Balance as of Mar-14</u>	<u>Balance as of Mar-13</u>
<u>ASSETS</u>		
Cash & Investments	\$ -	\$ -
Interfund Receivable	<u>162,500</u>	<u>159,674</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 162,500</u></u></b>	<b><u><u>\$ 159,674</u></u></b>
 <u>LIABILITIES</u>		
Amounts Retained for Future Payout	<u>\$ 162,500</u>	<u>\$ 159,674</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 162,500</u></u></b>	<b><u><u>\$ 159,674</u></u></b>

ARABIAN HORSE ASSOCIATION  
Performance Futurity Supplemental Schedule of Activities  
For the periods ended March 31, 2014 and March 31, 2013

	<u>Balance as of Mar-14</u>	<u>Balance as of Mar-13</u>
<u>RECEIPTS</u>		
Entries	\$ 297,700	\$ 300,500
Late Fees & Interest	<u>7,750</u>	<u>19,975</u>
<b>TOTAL RECEIPTS</b>	<b><u><u>305,450</u></u></b>	<b><u><u>320,475</u></u></b>
 <u>EXPENDITURES</u>		
Trophies and awards	-	-
Prize Money	<u>302,624</u>	<u>307,100</u>
<b>TOTAL EXPENDITURES</b>	<b><u><u>302,624</u></u></b>	<b><u><u>307,100</u></u></b>
 <b>INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM</b>	 2,826	 13,375
Amounts Retained for Future Payout, Beginning of Period	<u>159,674</u>	<u>146,299</u>
Amounts Retained for Future Payout, End of Period	<b><u><u>\$ 162,500</u></u></b>	<b><u><u>\$ 159,674</u></u></b>