

ARABIAN HORSE ASSOCIATION
AND ARABIAN BREEDERS SWEEPSTAKES TRUST

Combined Financial Statements As Of March 31, 2022
(With Summarized Financial Information For
The Year Ended March 31, 2021)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Arabian Horse Association:

Opinion

We have audited the accompanying combined financial statements of Arabian Horse Association and Arabian Breeders Sweepstakes Trust (collectively referred to as the "Organization", which comprise the combined statement of financial position as of March 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of March 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Independent Auditors' Report (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Independent Auditors' Report (Continued)

Report on Summarized Comparative Information

We have previously audited the Organization's March 31, 2021 financial statements, and our report dated March 3, 2023, 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, 2021, 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

May 17, 2024

ARABIAN HORSE ASSOCIATION
 Combined Statement of Financial Position
 As of March 31, 2022
 (with Summarized Financial Information as of March 31, 2021)

	<u>ASSETS</u>						Total Net Assets With Donor Restrictions	Current Year Total	Prior Year Total		
	Net Assets Without Donor Restrictions			Purpose Restrictions	Perpetual in Nature						
	Operations	Prize Money Programs	Total								
Assets:											
Cash and cash equivalents (Note 4)	\$ 3,105,633	\$ 851,313	\$ 3,956,946	\$ 6,270	\$ -	6,270	3,963,216	\$ 2,514,771			
Investments (Note 4)	1,744,583	9,117,399	10,861,982	(341)	60,182	59,841	10,921,823	10,501,306			
Receivables -											
Interest	0	-	-	-	-	-	-	1,629			
Trade, net of allowance	178,353	-	178,353	-	-	-	178,353	210,568			
Unconditional promises to give, net of allowance	0	-	-	-	-	-	-	-			
Notes receivable (Note 6)	44,145	-	44,145	-	-	-	44,145	103,608			
Inventory	56,719	-	56,719	-	-	-	56,719	84,923			
Prepayments and other assets	183,660	-	183,660	-	-	-	183,660	128,112			
Deferred tax asset, net of allowance (Note 3)	0	-	-	-	-	-	-	141,779			
Interfund receivable/(payable)	94,155	(93,255)	900	5,520	(6,420)	(900)	-	-			
Property and equipment, net of accumulated depreciation of \$6,673,448 (Note 7)	677,776	-	677,776	-	-	-	677,776	822,318			
TOTAL ASSETS	<u>\$ 6,085,024</u>	<u>\$ 9,875,457</u>	<u>\$ 15,960,481</u>	<u>\$ 11,449</u>	<u>\$ 53,762</u>	<u>65,211</u>	<u>16,025,692</u>	<u>\$ 14,509,014</u>			
	<u>LIABILITIES AND NET ASSETS</u>										
Liabilities:											
Accounts payable	\$ 551,690	\$ 74,861	\$ 626,551	\$ -	\$ -	-	626,551	\$ 417,950			
Accrued liabilities	198,411	375	198,786	-	-	-	198,786	199,423			
Capital lease obligations (Note 14)	91,443	-	91,443	-	-	-	91,443	137,063			
Refundable advance	-	-	-	-	-	-	-	190,000			
Refundable advance - PPP (Note 8)	457,150	-	457,150	-	-	-	457,150	503,019			
Deferred revenues (Note 9)	952,403	-	952,403	-	-	-	952,403	911,296			
Obligations to prize programs (Note 10)	44,145	9,800,221	9,844,366	-	-	-	9,844,366	9,879,501			
Total Liabilities	<u>2,295,242</u>	<u>9,875,457</u>	<u>12,170,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,170,699</u>	<u>12,238,252</u>			
Commitments & Contingencies (Note 15)											
Net Assets: (Note 11)											
Net assets without donor restrictions											
Undesignated	2,592,631	-	2,592,631	-	-	-	2,592,631	1,227,732			
Designated	1,197,151	-	1,197,151	-	-	-	1,197,151	977,819			
Total net assets without donor restrictions	<u>3,789,782</u>	<u>-</u>	<u>3,789,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,789,782</u>	<u>2,205,551</u>			
Net assets with donor restrictions - purpose restrictions	-	-	-	11,449	-	11,449	11,449	11,449			
Net assets with donor restrictions - perpetual in nature	-	-	-	-	53,762	53,762	53,762	53,762			
Total Net Assets	<u>3,789,782</u>	<u>-</u>	<u>3,789,782</u>	<u>11,449</u>	<u>53,762</u>	<u>65,211</u>	<u>3,854,993</u>	<u>2,270,762</u>			
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,085,024</u>	<u>\$ 9,875,457</u>	<u>\$ 15,960,481</u>	<u>\$ 11,449</u>	<u>\$ 53,762</u>	<u>65,211</u>	<u>16,025,692</u>	<u>\$ 14,509,014</u>			

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

ARABIAN HORSE ASSOCIATION
 Combined Statement of Activities
 For the Year Ended March 31, 2022
 (with Summarized Financial Information for the year ended March 31, 2021)

	Net Assets Without <u>Donor Restrictions</u>	Net Assets		Current Year <u>Total</u>	Prior Year <u>Total</u>
		<u>With Donor Restrictions</u> Purpose <u>Restrictions</u>	Perpetual <u>In Nature</u>		
REVENUES AND OTHER SUPPORT:					
Horse shows	\$ 7,290,636	\$ -	\$ -	\$ 7,290,636	\$ 5,889,132
Registrations	728,815	-	-	728,815	765,455
Memberships dues	837,715	-	-	837,715	845,142
Service fees	1,206,954	-	-	1,206,954	936,654
Advertising	-	-	-	-	8,960
Merchandising	122,672	-	-	122,672	82,149
Net investment return	130,459	-	-	130,459	962,167
Fund raising	7,083	-	-	7,083	9,758
Government grant	503,019	-	-	503,019	
Other	222,728	-	-	222,728	249,246
Total Revenue and Other Support	<u>11,050,081</u>	<u>-</u>	<u>-</u>	<u>11,050,081</u>	<u>9,748,663</u>
EXPENSES:					
Program Services -					
Events and shows	5,349,644	-	-	5,349,644	4,427,332
Sales and marketing	174,969	-	-	174,969	300,802
Member services	472,991	-	-	472,991	460,817
Registry services	561,757	-	-	561,757	524,911
Judges programs	247,531	-	-	247,531	285,429
Total Program Expenses	<u>6,806,892</u>	<u>-</u>	<u>-</u>	<u>6,806,892</u>	<u>5,999,291</u>
Supporting Services -					
General administration	2,266,971	-	-	2,266,971	1,858,716
Membership development	152,614	-	-	152,614	147,962
Total Supporting Services Expenses	<u>2,419,585</u>	<u>-</u>	<u>-</u>	<u>2,419,585</u>	<u>2,006,678</u>
Total Expenses	<u>9,226,477</u>	<u>-</u>	<u>-</u>	<u>9,226,477</u>	<u>8,005,969</u>
Changes in Net Assets From Operations	1,823,604	-	-	1,823,604	1,742,694
Non-Operating Expenses:					
Royalty expense (Note 15)	(239,373)	-	-	(239,373)	(253,105)
CHANGES IN NET ASSETS	1,584,231	-	-	1,584,231	1,489,589
Net Assets, Beginning of Year	2,205,551	11,449	53,762	2,270,762	781,173
Net Assets, End of Year	<u>\$ 3,789,782</u>	<u>\$ 11,449</u>	<u>\$ 53,762</u>	<u>\$ 3,854,993</u>	<u>\$ 2,270,762</u>

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

ARABIAN HORSE ASSOCIATION
 Combined Statement of Functional Expenses
 For the Year Ended March 31, 2022
 (with Summarized Financial Information for the year ended March 31, 2021)

	<u>Events & Shows</u>	<u>Sales & Marketing</u>	<u>Member Services</u>	<u>Registry Services</u>	<u>Judges Programs</u>	<u>General Administration</u>	<u>Membership Development</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
EXPENSES:									
Salaries and benefits	\$ 536,305	\$ 1,198	\$ 292,008	\$ 331,221	\$ 96,966	\$ 1,395,147	\$ 74,060	\$ 2,726,905	\$ 2,814,654
Travel, lodging, and meals	19,269	8,499	2,895	20,709	37,423	24,762	9,300	122,857	87,012
Facilities costs	1,275,887	-	-	-	-	-	-	1,275,887	1,059,735
Production costs	1,341,220	-	-	-	-	-	-	1,341,220	1,021,399
Personnel & volunteer costs	1,126,782	-	-	-	-	-	-	1,126,782	1,045,362
Other program costs	677,376	-	-	-	-	-	-	677,376	597,096
Services and professional fees	2,181	-	1,500	53,336	-	320,132	-	377,149	133,629
Publications, postage, & printing	3,923	20,754	12,999	30,595	3,610	14,256	20,256	106,393	89,123
Promotions and outreach	50,909	90,507	51,506	-	525	4,509	4,561	202,517	100,193
Office and occupancy costs	71,873	21,301	38,120	48,742	71,733	96,456	9,599	357,824	313,599
Business systems & communications	38,406	17,994	30,725	32,302	15,874	123,270	7,921	266,492	260,356
Bank service & merchant fees	174,566	2,337	18,480	20,094	9,021	12,064	20,728	257,290	240,388
Depreciation	30,947	12,379	24,758	24,758	12,379	92,842	6,189	204,252	240,129
Taxes and fees	-	-	-	-	-	183,533	-	183,533	3,294
Total Functional Expenses	<u>\$ 5,349,644</u>	<u>\$ 174,969</u>	<u>\$ 472,991</u>	<u>\$ 561,757</u>	<u>\$ 247,531</u>	<u>\$ 2,266,971</u>	<u>\$ 152,614</u>	<u>\$ 9,226,477</u>	<u>\$ 8,005,969</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, 2022
 (with Summarized Financial Information for the year ended March 31, 2021)

	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>			Prior Year Total
	<u>Operations</u>	Prize Money <u>Programs</u>	<u>Total</u>	<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	<u>Total</u>	
Cash flows from operating activities:							
Changes in Net Assets	\$ 1,584,231	\$ -	\$ 1,584,231	\$ -	\$ -	\$ 1,584,231	\$ 1,489,589
Adjustments to reconcile Change in Net Assets to net cash provided by operating activities:							
Depreciation	204,253	-	204,253	-	-	204,253	240,129
Forgiveness of PPP	(503,019)	-	(503,019)	-	-	(503,019)	-
Allowance for doubtful accounts	-	-	-	-	-	-	410,000
Allowance on deferred tax asset	141,779	-	141,779	-	-	141,779	-
(Gain)/loss on investment fair market	28,732	-	28,732	-	-	28,732	(771,005)
Decrease (increase) in receivables	33,844	-	33,844	-	-	33,844	(398,159)
Decrease (increase) in notes receivable	59,463	-	59,463	-	-	59,463	229,437
Decrease (increase) in inventories	28,204	-	28,204	-	-	28,204	321
Decrease (increase) in deferred tax asset	-	-	-	-	-	-	(41,594)
Decrease (increase) in prepayments	(55,548)	-	(55,548)	-	-	(55,548)	(47,275)
Increase (decrease) in accounts payable	184,788	23,813	208,601	-	-	208,601	(123,847)
Increase/(decrease) in interfund payable	(106,932)	106,654	(278)	(125)	(403)	(806)	-
Increase (decrease) in accrued liabilities	9,663	(10,300)	(637)	-	-	(637)	17,981
Increase (decrease) in refundable advance	(190,000)	-	(190,000)	-	-	(190,000)	190,000
Increase (decrease) in deferred revenue	41,107	-	41,107	-	-	41,107	(78,636)
Increase (decrease) in obligations to prize money programs	(55,125)	19,990	(35,135)	-	-	(35,135)	(53,885)
Net cash provided by (used in) operating activities	<u>1,405,440</u>	<u>140,157</u>	<u>1,545,597</u>	<u>(125)</u>	<u>(403)</u>	<u>1,545,069</u>	<u>1,063,056</u>
Cash flows from investing activities:							
Purchases of property and equipment	(59,711)	-	(59,711)	-	-	(59,711)	(23,682)
Net investment activity	(319,671)	(129,300)	(448,971)	125	403	(448,443)	409,791
Net cash provided by (used in) investing activities	<u>(379,382)</u>	<u>(129,300)</u>	<u>(508,682)</u>	<u>125</u>	<u>403</u>	<u>(508,154)</u>	<u>386,109</u>
Cash flows from financing activities:							
Proceeds from refundable advance - PPP	457,150	-	457,150	-	-	457,150	503,019
Payments on capital lease obligations	(45,620)	-	(45,620)	-	-	(45,620)	(46,841)
Net cash provided by (used in) financing activities	<u>411,530</u>	<u>-</u>	<u>411,530</u>	<u>-</u>	<u>-</u>	<u>411,530</u>	<u>456,178</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,437,588	10,857	1,448,445	-	-	1,448,445	1,905,343
Cash and Cash Equivalents at Beginning of Year	<u>1,668,045</u>	<u>840,456</u>	<u>2,508,501</u>	<u>6,270</u>	<u>-</u>	<u>2,514,771</u>	<u>609,428</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,105,633</u>	<u>\$ 851,313</u>	<u>\$ 3,956,946</u>	<u>\$ 6,270</u>	<u>\$ -</u>	<u>\$ 3,963,216</u>	<u>\$ 2,514,771</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, 2022

(1) Reporting Entity

Purposes of the Organization

Combined financial statements 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 “Organization” 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 Organization’s 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 Trustees of the Sweepstakes Trust is the Arabian Horse Association acting by and through its Board of Directors. The Trustees of the Sweepstakes Trust are elected by the Association’s Board of Directors. The majority of the Sweepstakes Trusts’ revenues are derived from program entry fees.

Description of Without Donor Restrictions 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 and Mid-Summer Nationals, Sport Horse Nationals, and Distance Nationals Championship. 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.

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 designed, produced, and distributed the *Modern Arabian Horse* magazine. This magazine has traditionally been produced six times a year and provided the latest information about the Association and the Arabian horse industry. The *Modern Arabian Horse* magazine was distributed to the membership of the Association and other interested parties. Production of the *Modern Arabian Horse* magazine ceased with the June 2020 issue.

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 Organization 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.

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, and those differences could be material.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing services and interest and dividends earned on investments. Nonoperating activities include royalties paid on the license agreement and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization 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 Organization 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 Organization 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.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded.

Guaranteed certificate: Valued at amortized cost or original cost plus accrued interest.

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 Organization 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.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

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.

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 receivables. As of March 31, 2022, the allowance was \$14,367.

Inventory

Inventory consists of trophies, plaques and ribbons for the Organization's horse shows. Inventory is recorded at the lower of cost or net realizable value.

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 and 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.

Revenue And Revenue Recognition

Horse show revenues are recognized at a point in time as the shows are held. Registration revenues are recognized at a point in time as performance obligations are met. Performance obligations consist of issuing certificates and registering foals. Membership dues revenue (excluding life memberships) is recognized over the membership period as this revenue only has an exchange element based on the value of benefits provided. Life membership revenue is recognized over the expected active membership period which has been determined at ten years. Service fees revenues are recognized at a point in time and over time as performance obligations are met. Performance obligations consist of providing service and holding horse shows. Advertising revenue is recognized at a point in time as magazines are printed (performance obligations are met). Merchandising revenues are recognized as items are sold (point in time) and over time for the Data Source subscriptions. Other revenue is recognized at a point in time as services are performed. Payments are due upon invoicing. Total service fee and merchandising revenues recognized at a point in time was \$637,885 and over time was \$691,741.

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of March 31, 2022, total unconditional promises to give was \$410,000 and it has a full allowance against it.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met. As of March 31, 2022, contributions approximating \$600,000, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The conditional contributions depend upon the show being held.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. These expenses include depreciation, office & facilities maintenance, business systems maintenance, supplies, and bank service & merchant fees. Depreciation, office & facilities maintenance, business systems maintenance, and supplies expenses are all allocated based on relative staffing levels for the functional groups. Bank service & merchant fees are allocated based on relative revenues earned by the functional groups.

Comparative 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 Organization financial statements for the year ended March 31, 2021, from which the summarized information was derived.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through May 17, 2024, 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. See Note 8 for the disclosure on the Refundable Advance – Paycheck Protection Program and Note 20 for the disclosure on litigation. Additionally, on July 29, 2022, the Association sold its building for \$2,160,000 and on October 26, 2022 it purchased a building for \$1,290,000.

(3) Income Taxes

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 Organization's operations are subject to unrelated business income tax. No income tax expense was incurred for the year ended March 31, 2022.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

The Organization 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 2021 and is no longer subject to audits on its related state return by taxing authorities for years prior to Fiscal Year 2020. 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 Organization believes no material 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, 2022, was \$141,779. This reflects the income tax impact of the estimated net operating loss carry-forward in the amount of \$633,269 of which \$295,121 expires in various fiscal years ending from 2028-2035 and \$338,148 can be used indefinitely. The deferred tax asset has been fully allowed for as the Organization does not expect to utilize it. During the year ended March 31, 2022, the valuation allowance increased by \$141,779.

(4) Investments and Concentration of Credit Risk

The following table presents the Organization's investments as of March 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Exchange Traded Funds				
Preferred stocks	\$ 1,526,726	\$ -	\$ -	\$ 1,526,726
Large value stocks	1,202,924	-	-	1,202,924
Large blend stocks	1,022,965	-	-	1,022,965
Short term bonds	1,005,463	-	-	1,005,463
Intermediate term bonds	735,969	-	-	735,969
Treasury bonds	893,406	-	-	893,406
Corporate bonds	985,373	-	-	985,373
Inflation-protected bonds	1,026,313	-	-	1,026,313
Guaranteed certificate	15,186	-	-	15,186
Total investments in fair value hierarchy table	<u>\$ 8,414,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,414,325</u>
Money Market				2,507,498
Total investments, at fair value				<u>\$ 10,921,823</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. The exchange traded funds invest in stocks, tracked in national indexes such as the S&P500, and diversified in broad market sectors. U.S. bond obligations are backed by the full faith and credit of the U.S. government.

The majority of the Organization's 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, 2022, the Organization's cash demand deposits held at financial institutions did exceed the FDIC's insured limits by approximately \$3,096,000. Additionally, as of March 31, 2022, the Organization's cash demand deposits held at financial institutions did exceed the Canadian Deposit Insurance Corporation's insured limits by approximately \$68,000.

As of March 31, 2022, 100% of the unconditional promise to give was from one grantor, however, it has a full allowance against it.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

(5) Prize Money Program Assets

Sweepstakes assets are held in trust by the Organization 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>Total</u>
Sweepstakes program	\$ 843,452	\$ 8,464,836	\$ (231,958)	\$ 9,076,330
Halter Futurity	7,861	652,563	(45,676)	614,748
Yearling Jackpot	-	-	18,053	18,053
Performance Futurity	-	-	166,326	166,326
Total	<u>\$ 851,313</u>	<u>\$ 9,117,399</u>	<u>\$ (93,255)</u>	<u>\$ 9,875,457</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 and dividends earned on investments of the Halter Futurity program is used to support the activities of the Association. The realized and unrealized gains or losses on the investments of the Sweepstakes, Halter Futurity and Performance Futurity programs are recognized as without donor restrictions income available for the activities of the Association. Yearling Jackpot interest is added on to prize money payout for associated classes.

(6) Sweepstakes Notes Receivable

On April 1, 2005, the Organization 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, 2022, 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 \$44,145 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	\$ 276,333	\$ 276,333	\$ -
Equipment and software	5,242,662	4,997,144	245,518
Films	62,912	62,912	-
Building	1,021,938	899,671	122,267
Building improvements	570,434	423,369	147,065
Land	162,925	-	162,925
Land improvements	14,019	14,019	-
Work In Process	-	-	-
	<u>\$ 7,351,224</u>	<u>\$ 6,673,448</u>	<u>\$ 677,776</u>

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

Amounts under capital leases, which are included in equipment and software consist of the following as of March 31, 2022:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment and software	\$ 183,232	\$ 95,185	\$ 88,047

(8) Refundable Advance – Paycheck Protection Program

In May 2020 and 2021, the Organization qualified for and received a refundable advance pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$503,019 and \$457,150, respectively. The first advance was forgiven during the year ended Marh 31, 2022, and is reflected in government grants on the statement of activities. Subsequent to year end, the Organization was notified the second refundable advance was also fully forgiven.

(9) Deferred Revenue

Deferred revenue consists of the following as of March 31, 2022:

Membership dues	\$ 858,958
Shows	80,039
Other	13,406
	\$ 952,403

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.

(10) Obligation to Prize Money Programs

Agency obligations consist of the following:

	<u>Breeders Sweepstakes</u>	<u>Halter Futurity</u>	<u>Yearling Jackpot</u>	<u>Performance Futurity</u>	<u>Total</u>
Liabilities:					
Accounts payable	\$ 70,021	\$ 4,840	\$ -	\$ -	\$ 74,861
Accrued liabilities	375	-	-	-	375
Prize money program assets currently committed	70,396	4,840	-	-	75,236
Amounts retained for future payout	9,005,934	609,908	18,053	166,326	9,800,221
Obligations to prize money programs	\$ 9,076,330	\$ 614,748	\$ 18,053	\$ 166,326	\$ 9,875,457
Obligation related to Sweepstakes Promissory Notes & Deferred Billing, net of allowance					44,145
					\$ 9,919,602

Sweepstakes accounts payable is primarily due to unclaimed Sweepstakes checks and amounts due for government withholdings as of March 31, 2022. Accrued liabilities are prize money amounts that have been won and are in the process of being paid as of March 31, 2022.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

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.

(11) Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available to fund current operations of the Association. Certain portions of net assets without donor restrictions have been designated by the Association's Board of Directors or by Convention resolution to be used for specific purposes.

Undesignated

Undesignated net assets without donor restrictions 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

Designated net assets without donor restrictions 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, 2022, the Education and Evaluation designated funds amounted to \$217,551.

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, 2022, scoring designated funds amounted to \$71,697.

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. The Legal Defense Fund without donor restrictions funds as of March 31, 2022, amounted to \$157,201.

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 \$45,138 and related expenses were \$18,363. The Half-Arabian/Anglo-Arabian Promotional Fund as of March 31, 2022, amounted to \$217,269.

Contingency Fund

The Board of Directors designated \$533,433 as of March 31, 2022, for future repairs, replacements, or other unexpected expenses.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

Net Assets With Donor Restrictions

Purpose Restrictions

Purpose restrictions 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 purpose restriction. Donor restricted net assets consist of the following as of March 31, 2022:

Purpose Restrictions -	
Scholarships	\$ 3,034
Patrick Swayze fund	8,415
Total Purpose Restrictions	<u>11,449</u>
Perpetual in Nature	53,762
Total Net Assets With Donor Restrictions	<u><u>\$ 65,211</u></u>

Perpetual In Nature

Perpetual in nature net assets as of March 31, 2022, consisted of the Yearling Jackpot with earnings to be used for future prize payouts.

(12) 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 Association interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Association has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Association would consider the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

In accordance with UPMIFA, 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, and (7) the investment policies of the Association.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

Changes in Endowment Net Assets as of March 31, 2022

	<u>With donor restrictions</u>
Endowment net assets, beginning of the year	\$ 53,762
Changes and reclassifications	-
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.

Underwater Funds

As of March 31, 2022, no funds were underwater.

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.

(13) 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 had an employer match contribution up to 1% of the participant contributions. Total expenses for this 401(k) plan for the fiscal year ending March 31, 2022, was \$9,901. 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, 2022, is fully funded.

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

(14) Capital Lease Obligations

The following represent obligations under capital leases for equipment as of March 31, 2022:

Due in monthly installments of principal and interest of \$2,138 through November 2023, interest rate 7.0%, secured by equipment	\$ 44,274
Less: Interest	<u>2,510</u>
Present value of future minimum lease payments	41,764
Less: Current Portion	<u>23,582</u>
Total long term portion	<u><u>\$ 18,182</u></u>

Due in monthly installments of principal and interest of \$2,234 through January 2024, interest rate 4.4%, secured by equipment	\$ 51,852
Less: Interest	<u>2,173</u>
Present value of future minimum lease payments	49,679
Less: Current Portion	<u>25,164</u>
Total long term portion	<u><u>\$ 24,515</u></u>

Future annual maturities of these obligations as of March 31, 2022, are as follows:

2023	48,746
2024	<u>42,697</u>
	<u><u>\$ 91,443</u></u>

(15) 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, 2022, the Association paid to the Trust \$239,373 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, 2022, the Trust funded promotional activities in the amount of \$0. Since inception, the Association has paid to the Trust \$7,332,599 in royalty and the Trust has funded Market Development & Promotion activities within the Association in the amount of \$1,899,786.

(15) Expenses

Total expenses for the year ended March 31, 2022, were as follows:

	Total Expense	Less: Royalty Expense	Total Expense Reported By Function
Program expenses	\$ 7,046,265	\$ (239,373)	\$ 6,806,892
Supporting services	2,419,585	-	2,419,585
Total expenses	<u><u>\$ 9,465,850</u></u>	<u><u>\$ (239,373)</u></u>	<u><u>\$ 9,226,477</u></u>

ARABIAN HORSE ASSOCIATION
Notes to Combined Financial Statements
(continued)

(18) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include assets set aside that could be drawn upon if the governing board approves that action. Additionally, financial assets do not include assets committed to the prize money programs.

Financial assets, at year-end	\$ 5,028,569
Less: those unavailable for general expenditures within one year, due to:	
Designated by the governing board (Note 11)	<u>(1,197,151)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,831,418</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(19) New Accounting Pronouncement

In December of 2018, FASB issued ASU No. 2018-20, Leases. ASU No. 2018-20 which requires the Organization to recognize all leased assets on the statement of financial position with corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extend of leasing activities. The requirements of this statements are effective for the Organization's year ended March 31, 2023. The Organization has not evaluated the impact due to the timing of implementation of this standard.

(20) Litigation

Subsequent to year end, the Association is involved in two litigations. The trial of one of the matters has been completed and resulted in a verdict in favor of the Association. On the second litigation, the Association's insurance company is the party handling the matter. Although the outcome of the second litigation cannot be predicted with certainty, the Association expects to prevail.

ARABIAN BREEDERS SWEEPSTAKES TRUST
Sweepstakes Supplemental Schedule of Financial Position
As of March 31, 2022 and March 31, 2021

	Balance as of Mar-22	Balance as of Mar-21
<u>ASSETS</u>		
Cash	\$ 843,452	\$ 836,100
Cash Investments	8,464,836	8,344,148
Interfund Receivable	(231,958)	(134,825)
TOTAL ASSETS	\$ 9,076,330	\$ 9,045,423
<u>LIABILITIES</u>		
Accounts Payable (1)	\$ 70,021	\$ 47,817
Accrued Liabilities (2)	375	10,675
Prize Money Program Assets Currently Committed	70,396	58,492
Amounts Retained for Future payout	9,005,934	8,986,931
TOTAL LIABILITIES	\$ 9,076,330	\$ 9,045,423

(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, 2022 and March 31, 2021

	Balance as of Mar-22	Balance as of Mar-21
<u>RECEIPTS</u>		
Entries	\$ 858,297	\$ 937,832
Interest		
<u>EXPENDITURES</u>		
Prize Money (3)	839,294	755,536
INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	19,003	182,296
Amounts Retained for Future Payout, Beginning of Period	8,986,931	8,804,635
Amounts Retained for Future Payout, End of Period	\$ 9,005,934	\$ 8,986,931

(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, 2022

<u>Description</u>	<u>Maturity Date</u>	<u>Face Value or Cost Basis</u>
Cash	n/a	\$ <u>843,452</u>
Money Market	next day	\$ <u>2,279,251</u>
Exchange Traded Funds		
Preferred -- PFF		1,407,619
Low Volatility S&P 500 -- SPLV		483,647
SPDR S&P500 ETF -- SPY		381,273
ishares 3-7 year treasury bonds		750,624
ishares treasury inflation protected bonds		853,201
ishares 0-5 year corporate bonds		804,399
Pimco investment corporate bonds		805,548
Vanguard mortgage backed bonds		<u>699,274</u>
Total mutual funds		\$ <u>6,185,585</u>
Total Cash and Investments		\$ <u>9,308,289</u>

ARABIAN HORSE ASSOCIATION
Halter Futurity Supplemental Schedule of Financial Position
As of March 31, 2022 and March 31, 2021

	<u>Balance as of Mar-22</u>	<u>Balance as of Mar-21</u>
<u>ASSETS</u>		
Cash	\$ 7,861	\$ 4,356
Cash Investments	652,563	643,951
Interfund Receivable	<u>(45,676)</u>	<u>(30,727)</u>
TOTAL ASSETS	<u><u>\$ 614,748</u></u>	<u><u>\$ 617,580</u></u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,840	\$ 3,231
Amounts Retained for Future Payout	<u>609,908</u>	<u>614,349</u>
TOTAL LIABILITIES	<u><u>\$ 614,748</u></u>	<u><u>\$ 617,580</u></u>

ARABIAN HORSE ASSOCIATION
Halter Futurity Supplemental Schedule of Activities
For the periods ended March 31, 2022 and March 31, 2021

	<u>Balance as of Mar-22</u>	<u>Balance as of Mar-21</u>
<u>RECEIPTS</u>		
Nominations	\$ 45,301	\$ 43,500
Renominations	59,605	56,595
Late Fees	20,100	17,200
Show fees	<u>8,400</u>	<u>10,400</u>
TOTAL RECEIPTS	<u>133,406</u>	<u>127,695</u>
<u>EXPENDITURES</u>		
Trophies and awards	-	-
Prize Money	<u>137,847</u>	<u>143,794</u>
TOTAL EXPENDITURES	<u>137,847</u>	<u>143,794</u>
INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	(4,441)	(16,099)
Amounts Retained for Future Payout, Beginning of Period	<u>614,349</u>	<u>630,448</u>
Amounts Retained for Future Payout, End of Period	<u><u>\$ 609,908</u></u>	<u><u>\$ 614,349</u></u>

ARABIAN HORSE ASSOCIATION
 Yearling Jackpot Supplemental Schedule of Financial Position
 As of March 31, 2022 and March 31, 2021

	Balance as of Mar-22	Balance as of Mar-21
<u>ASSETS</u>		
Cash & Investments	\$ -	\$ -
Interfund Receivable	18,053	17,525
Accrued Interest	-	-
TOTAL ASSETS	\$ 18,053	\$ 17,525
 <u>LIABILITIES</u>		
Amounts Retained for Future Payout	\$ 18,053	\$ 17,525
TOTAL LIABILITIES	\$ 18,053	\$ 17,525

ARABIAN HORSE ASSOCIATION
 Yearling Jackpot Supplemental Schedule of Activities
 For the periods ended March 31, 2022 and March 31, 2021

	Balance as of Mar-22	Balance as of Mar-21
<u>RECEIPTS</u>		
Entries	\$ -	\$ -
Interest	528	7
TOTAL RECEIPTS	528	7
 <u>EXPENDITURES</u>		
Prize Money	-	-
INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	528	7
Amounts Retained for Future Payout, Beginning of Period	17,525	17,518
Amounts Retained for Future Payout, End of Period	\$ 18,053	\$ 17,525

ARABIAN HORSE ASSOCIATION
Performance Futurity Supplemental Schedule of Financial Position
As of March 31, 2022 and March 31, 2021

	<u>Balance as of Mar-22</u>	<u>Balance as of Mar-21</u>
<u>ASSETS</u>		
Cash & Investments	\$ -	\$ -
Interfund Receivable	<u>166,326</u>	<u>161,426</u>
TOTAL ASSETS	<u><u>\$ 166,326</u></u>	<u><u>\$ 161,426</u></u>
 <u>LIABILITIES</u>		
Amounts Retained for Future Payout	<u>\$ 166,326</u>	<u>\$ 161,426</u>
TOTAL LIABILITIES	<u><u>\$ 166,326</u></u>	<u><u>\$ 161,426</u></u>

ARABIAN HORSE ASSOCIATION
Performance Futurity Supplemental Schedule of Activities
For the periods ended March 31, 2022 and March 31, 2021

	<u>Balance as of Mar-22</u>	<u>Balance as of Mar-21</u>
<u>RECEIPTS</u>		
Entries	\$ 339,700	\$ 357,399
Late Fees & Interest	<u>14,000</u>	<u>8,500</u>
TOTAL RECEIPTS	<u>353,700</u>	<u>365,899</u>
 <u>EXPENDITURES</u>		
Trophies and awards	-	-
Prize Money	<u>348,800</u>	<u>363,100</u>
TOTAL EXPENDITURES	<u>348,800</u>	<u>363,100</u>
 INCREASE/(DECREASE) IN ASSETS HELD FOR THE BENEFIT OF PRIZE MONEY PROGRAM	 4,900	 2,799
 Amounts Retained for Future Payout, Beginning of Period	 <u>161,426</u>	 <u>158,627</u>
 Amounts Retained for Future Payout, End of Period	 <u><u>\$ 166,326</u></u>	 <u><u>\$ 161,426</u></u>