

**NATIONAL SNAFFLE BIT ASSOCIATION
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT.....	3
CONSOLIDATED FINANCIAL STATEMENTS – MODIFIED CASH BASIS	
Statements of Assets, Liabilities and Net Assets	4
Statements of Revenues, Expenses and Other Changes in Net Assets	5–6
Statements of Cash Flows	7
Notes to Financial Statements.....	8–13
CONSOLIDATING SUPPLEMENTARY INFORMATION – MODIFIED CASH BASIS	
Schedules of Assets, Liabilities and Net Assets.....	15–16
Schedules of Revenues, Expenses and Other Changes in Net Assets.....	17–18



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Boards of Directors
National Snaffle Bit Association and National Snaffle Bit Foundation
Gurnee, Illinois

We have reviewed the accompanying consolidated statements of assets, liabilities and net assets of NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE. (Georgia and Illinois not-for-profit corporations, respectively) as of December 31, 2014 and 2013, and the related consolidated statements of revenues, expenses, and other changes in net assets, and cash flows for the years then ended, all on the modified cash basis. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements. This information is presented on the modified cash basis of accounting, and we are not aware of any material modifications that should be made thereto.

Warady & Davis LLP

April 20, 2015

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS

Modified Cash Basis

As of December 31

2014

2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 666,005	\$ 945,968
Accounts Receivable	405	—
Prepaid Expenses	33,545	14,120
Certificates of Deposit	—	97,732
Total Current Assets	699,955	1,057,820

PROPERTY AND EQUIPMENT

Land	36,397	36,397
Building and Building Improvements	327,570	327,570
Office and Computer Equipment	61,448	54,204
Computer Software	49,069	49,069
Vehicles	6,662	6,662
Furniture and Fixtures	51,502	51,502
	532,648	525,404
Less Accumulated Depreciation and Amortization	154,587	135,705
	378,061	389,699

OTHER ASSETS

Certificates of Deposit	395,056	296,455
Long-Term Prepaid Expenses	13,919	—
	408,975	296,455

	\$ 1,486,991	\$ 1,743,974
--	--------------	--------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Portion of Note Payable	\$ 8,602	8,149
Accrued Vacation Liability	—	15,654
Deferred Revenue	—	297,062
Total Current Liabilities	8,602	320,865

LONG-TERM LIABILITIES

Note Payable, Net of Current Maturities	144,264	152,748
Deferred Revenue	810,247	484,863
Total Long-Term Liabilities	954,511	637,611
Total Liabilities	963,113	958,476

NET ASSETS

Unrestricted Net Assets		
Board-Designated	365,310	413,378
Undesignated	75,923	252,117
	441,233	665,495
Temporarily Restricted Net Assets	82,645	120,003
	523,878	785,498

	\$ 1,486,991	\$ 1,743,974
--	--------------	--------------

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Modified Cash Basis

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES			
BCF/World Show	\$ 1,516,791	\$ —	\$ 1,516,791
Membership	286,278	—	286,278
Credit Card Surcharges	43,280	—	43,280
Merchandise Sales	22,216	—	22,216
Stallion Incentive Fund	117,531	—	117,531
Yearling Sales	182,802	—	182,802
Judges Program	13,650	—	13,650
Licensing Program	89,720	—	89,720
Magazines	273,781	—	273,781
Smart Point	35,770	—	35,770
Riders Cup	22,794	—	22,794
Trainer Sales	33,950	—	33,950
Other Shows	125,426	—	125,426
Administrative Charges	22,483	—	22,483
Year End Award Banquet	26,640	—	26,640
Rental Income	25,500	—	25,500
Miscellaneous Revenue	11,152	—	11,152
Interest Income	1,279	—	1,279
Special Event			
Auction	25,320	—	25,320
Raffle	—	16,660	16,660
Contributions	16,703	63,718	80,421
Release of Restrictions	117,736	(117,736)	—
Total Revenues	<u>3,010,802</u>	<u>(37,358)</u>	<u>2,973,444</u>
EXPENSES			
Payroll	486,345	—	486,345
Payroll Taxes	35,454	—	35,454
Employee Benefits	61,075	—	61,075
Advertising	47,025	—	47,025
Arena Rental	193,537	—	193,537
Bank Charges and Credit Card Fees	41,242	—	41,242
Other Show Expense	31,602	—	31,602
Awards	145,746	—	145,746
Meetings	11,944	—	11,944
Computer Expense	22,840	—	22,840
Crisis Fund	23,000	—	23,000
Outside Services	98,520	—	98,520
Day Fees	195,277	—	195,277
Depreciation	18,882	—	18,882
Drug Testing	18,497	—	18,497
Equipment	4,320	—	4,320
Equipment Rental	13,560	—	13,560
Filing Fees	850	—	850
Licenses, Permits, and Filing Fees	1,562	—	1,562
Insurance Expense	9,109	—	9,109
Interest Expense	8,769	—	8,769
Travel, Meals and Lodging	197,480	—	197,480
Newsletter	1,429	—	1,429
Office Expenses and Supplies	22,417	—	22,417
Payouts	785,207	—	785,207
Plaques and Trophies	63,148	—	63,148
Postage and Shipping	103,914	—	103,914
Printing	402,795	—	402,795
Equestrians with disabilities - World Show	31,555	—	31,555
Real Estate Taxes	11,250	—	11,250
Telephone	7,983	—	7,983
Occupancy	19,232	—	19,232
Year-End Award Banquet	28,538	—	28,538
Website and Internet	1,954	—	1,954
Professional Fees	37,483	—	37,483
Auction Expense	336	—	336
Raffle Expense	12,761	—	12,761
Heroes on Horses - World Show	7,721	—	7,721
Scholarships	3,000	—	3,000
Financial Assistance	27,538	—	27,538
Other	167	—	167
Total Expenses	<u>3,235,064</u>	<u>—</u>	<u>3,235,064</u>
CHANGE IN NET ASSETS	(224,262)	(37,358)	(261,620)
Net Assets, Beginning	665,495	120,003	785,498
NET ASSETS, ENDING	<u>\$ 441,233</u>	<u>\$ 82,645</u>	<u>\$ 523,878</u>

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)

Modified Cash Basis

For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES			
BCF/World Show	\$ 1,276,379	\$ —	\$ 1,276,379
Membership	279,692	—	279,692
Credit Card Surcharges	38,627	—	38,627
Merchandise Sales	12,998	—	12,998
Stallion Incentive Fund	118,672	—	118,672
Yearling Sale	138,442	—	138,442
Judges Program	11,600	—	11,600
Licensing Program	99,100	—	99,100
Magazine	67,393	—	67,393
Smart Point	34,587	—	34,587
Trainer Sales	46,570	—	46,570
Other Shows	119,582	—	119,582
Other Revenue	9,652	—	9,652
Year-End Award Banquet	44,980	—	44,980
Interest Income	1,651	—	1,651
Auctions	13,957	—	13,957
Contributions	8,372	39,846	48,218
Release of Restrictions	7,963	(7,963)	—
Total Revenues	<u>2,330,217</u>	<u>31,883</u>	<u>2,362,100</u>
EXPENSES			
Payroll	364,485	—	364,485
Payroll Taxes	27,573	—	27,573
Employee Benefits	53,111	—	53,111
Temporary Help	13,646	—	13,646
Advertising	105,406	—	105,406
Arena Rental	150,123	—	150,123
Bank Charges and Credit Card Fees	38,526	—	38,526
Other Show Expense	30,663	—	30,663
Awards	134,621	—	134,621
Meetings	14,240	—	14,240
Computer Expense	38,660	—	38,660
Crisis Fund	22,500	—	22,500
Outside Services	76,839	—	76,839
Day Fees	134,362	—	134,362
Depreciation	14,617	—	14,617
Drug Testing	18,580	—	18,580
Equipment	6,080	—	6,080
Equipment Rental	14,895	—	14,895
Licenses, Permits, and Filing Fees	929	—	929
Insurance Expense	4,396	—	4,396
Interest Expense	10,196	—	10,196
Travel, Meals and Lodging	142,397	—	142,397
Office Expenses and Supplies	14,323	—	14,323
Payout	595,687	—	595,687
Plaques and Trophies	65,666	—	65,666
Postage and Shipping	28,595	—	28,595
Printing	38,688	—	38,688
Real Estate Taxes	10,567	—	10,567
Telephone	7,819	—	7,819
Occupancy	15,451	—	15,451
Year-End Award Banquet	23,478	—	23,478
Website and Internet	4,763	—	4,763
Professional Fees	29,597	—	29,597
Auction Expense	650	—	650
Clothes Closet	11,169	—	11,169
Fundraising	912	—	912
Heroes on Horses	950	—	950
Scholarships	4,000	—	4,000
Other	3,252	—	3,252
Total Expenses	<u>2,272,412</u>	<u>—</u>	<u>2,272,412</u>
CHANGE IN NET ASSETS			
	57,805	31,883	89,688
Net Assets, Beginning of Year, as Previously Reported	454,218	—	454,218
Prior Period Adjustment	153,472	88,120	241,592
Net Assets, Beginning of Year, as Restated	607,690	88,120	695,810
NET ASSETS, ENDING	<u>\$ 665,495</u>	<u>\$ 120,003</u>	<u>\$ 785,498</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Modified Cash Basis

For the Years Ended December 31

2014

2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	<u>\$ (261,620)</u>	<u>\$ 89,688</u>
----------------------	---------------------	------------------

Adjustments to Reconcile Change in Net Assets to
Net Cash Provided (Used) by Operating Activities

Depreciation and Amortization	18,882	14,617
Accounts Receivable	(405)	—
Inventory	—	10,834
Prepaid Expenses	(33,344)	(8,326)
Accrued Vacation Liability	(15,654)	15,654
Deferred Revenue	28,322	439,597
Other Liabilities	—	(324,933)

Total Adjustments	<u>(2,199)</u>	<u>147,443</u>
-------------------	----------------	----------------

Net Cash Provided (Used) by Operating Activities	<u>(263,819)</u>	<u>237,131</u>
--	------------------	----------------

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Certificate of Deposit	(98,057)	(52,961)
Maturities of Certificates of Deposit	98,057	—
Reinvested Interest on Certificates of Deposits	(869)	1,283
Purchases of Property and Equipment	<u>(7,244)</u>	<u>(45,870)</u>

Net Cash Used by Investing Activities	<u>(8,113)</u>	<u>(97,548)</u>
---------------------------------------	----------------	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Note Payable	<u>(8,031)</u>	<u>(26,604)</u>
------------------------------------	----------------	-----------------

NET INCREASE (DECREASE)

IN CASH AND CASH EQUIVALENTS	(279,963)	112,979
------------------------------	-----------	---------

Cash and Cash Equivalents, Beginning	<u>945,968</u>	<u>832,989</u>
--------------------------------------	----------------	----------------

CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 666,005</u>	<u>\$ 945,968</u>
--	--------------------------	--------------------------

SUPPLEMENTAL CASH FLOWS DISCLOSURES

Cash paid for:

Interest	<u>\$ 8,769</u>	<u>\$ 10,196</u>
----------	-----------------	------------------

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The accompanying consolidated financial statements include the accounts of National Snaffle Bit Association (“NSBA”) and its affiliate, National Snaffle Bit Foundation (“the Foundation”), collectively the “Association”. NSBA was formed in 1983 primarily to define, promote, and improve the qualities of the pleasure horse, promote exhibits, events and contests in expositions and shows, and to encourage the use of standard rules for holding and judging contests of the pleasure horse.

National Snaffle Bit Foundation (“Foundation”) was formed in 2009 to encourage, by public contribution, support of worthwhile educational and charitable projects of interest and benefit to devotees of the National Snaffle Bit Association.

The majority of the assets and revenues are associated with NSBA.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Association’s consolidated financial statements. The consolidated financial statements and notes are representations of management who is responsible for their integrity and objectivity.

BASIS OF ACCOUNTING

The accompanying consolidated financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Association recognizes revenue when contributions are received, defers revenue recognition of prepayments of competition registration fees and Association memberships, capitalizes and depreciates/amortizes property and equipment, and recognizes certain liabilities and prepaid expenses and their related effects on earnings in the accompanying consolidated financial statements.

In preparation of the consolidated financial statements, the Association follows the provisions of the FASB Codification topic related to “Financial Statements of Not-for-Profit Organizations.” Net assets and revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of imposed restrictions as follows:

- Unrestricted – These funds are not subject to any imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- Temporarily Restricted – These are funds whose use is subject to donor-imposed stipulations that could be fulfilled by actions of the Board of Directors pursuant to those stipulations or that expire by the passage of time. Only the Foundation has temporarily restricted net assets. The Foundation’s policy is to allocate 30% of all temporarily restricted donations as unrestricted for administrative purposes. These administrative fees are released from restriction and reclassified to unrestricted support. Donors are advised of this policy prior to solicitation
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained in perpetuity by the Association. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Association had no permanently restricted net assets at December 31, 2014 or 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of NSBA and the Foundation. Inter-entity transactions and balances have been eliminated in the consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Association considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CERTIFICATES OF DEPOSIT

The Association has investments in certificates of deposits (CDs) with varying lengths of maturity which range from 1.5 to 2 years. The CDs are recorded at cost plus accrued interest, and the interest is reinvested when a CD is rolled over. Interest rates on all CDs are .3 % at December 31, 2014.

INVENTORY

Inventory consists of non-cash donated items to the Foundation. The value was based on fair value of such items at the date of donation with donated items recorded as revenue to the Foundation as received and as expenses when distributed to the programs. However, at December 31, 2013, management wrote off the remaining value of the inventory and no longer values it due to immateriality. Sales of merchandise are recorded as revenues in the period sold. In early 2015, the entire inventory was liquidated.

PROPERTY AND EQUIPMENT

Property and equipment purchases of \$500 or more are recorded at cost if purchased, or fair value if donated, and depreciated/amortized on straight-line or accelerated bases over their estimated useful lives. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is recognized in income.

Major renewals and betterments that extend the useful life of an asset are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation and amortization of the various classes of assets are as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings and Building Improvements.....	39
Office and Computer Equipment.....	3 - 5
Computer Software.....	3
Trailers.....	5 - 7
Furniture.....	5 - 7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

NSBA is incorporated in Georgia and the Foundation is incorporated in Illinois, both as not-for-profit organizations. A determination letter from the Internal Revenue Service for NSBA was received on January 21, 1985 stating that it is exempt from federal income taxes under Internal Revenue Code section 501(c)(5). A determination letter was received for the Foundation stating that it is exempt from federal income taxes under Internal Revenue Code section 501(c)(3) effective November 30, 2009. It is similarly classified by the State of Illinois. To the extent unrelated business income exists, NSBA and the Foundation would be subject to income taxes.

The Association has adopted the guidance in the FASB ASC topic on Income Taxes related to Uncertainty in Income Taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Association has taken or expects to take in its tax returns. Under the guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Association believes that it has appropriate support for the positions taken on its returns.

No income tax liabilities resulting from unrelated business income tax are reported in the statements of assets, liabilities and net assets and no unrelated business income tax expenses are included in the statements of revenues, expenses and changes in net assets as management believes the amounts would not be material.

NSBA and the Foundation file their Form 990's and NSBA files its 990T in the federal jurisdiction and NSBA files its Illinois 990T and the Foundation its AG 990IL with the State of Illinois. NSBA and the Foundation are generally no longer subject to examination by the Internal Revenue Service or the State of Illinois for years before 2011.

REVENUE RECOGNITION

NSBA membership dues are deferred and recognized as revenue over the membership period which is on a calendar-year basis; lifetime memberships are amortized on a straight-line basis over an estimated life of three years. Sponsorship income is recognized as revenue when received. Subscriptions for NSBA's magazine are deferred and recognized as revenue over the subscription period. The amount of membership dues collected but unearned as of year-end are recorded as deferred revenue. BCF enrollment revenue is recognized throughout the period the horse is in competition. Trainer sales revenue is recognized when the training occurs. Stallion sales proceeds are paid out based on year-end competition points and are recognized as revenue upon payout.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—DEFERRED REVENUE

Deferred revenue at December 31 consisted of the following:

	2014	2013
BCF Enrollment	\$ 500,974	\$ 470,888
Memberships.....	188,795	191,098
Stallion Incentive Fund.....	102,978	108,789
Trainer Sales.....	17,500	11,150
	\$ 810,247	\$ 781,925

NOTE 3—NOTE PAYABLE BANK

On July 28, 2011, NSBA obtained a loan to finance the purchase of its office building. The note is collateralized by the property. Unpaid principal plus accrued interest is due July 28, 2016. Monthly payments, including principal and interest at 5.5%, are \$1,393. The amount outstanding was \$152,866 at December 31, 2014 and 160,897 at December 31, 2013.

Principal repayments due in the next two years are:

Year Ending December 31,		
2015	\$	8,602
2016		144,264
		\$ 152,866

NOTE 4—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are as follows:

	2014	2013
Crisis Fund.....	\$ 32,564	\$ 37,531
Youth Scholarship Fund	36,625	39,801
Equestrians with Disabilities	553	23,281
Heroes on Horses	5,339	11,874
Animal Welfare	7,564	7,516
	\$ 82,645	\$ 120,003

Amounts released from restriction during 2014, inclusive of administrative fees, totaled \$117,736 and represent \$3,546 for the scholarship program, \$727 for the Animal Welfare Fund, \$52,492 for the Crisis Fund, \$46,362 for Equestrians with Disabilities and \$14,609 for Heroes on Horses.

Amounts released from restriction during 2013 totaled \$7,963 and represent \$4,000 of youth scholarships, \$274 for Equestrians with Disabilities and \$3,689 for Heroes on Horses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5—OPERATING LEASE

In January, 2014, the Association entered into a 39-month copier lease agreement. Monthly payments are \$381. During the year ended December 31, 2013, the Association had a prior copier lease with monthly payments of \$414. Rent expense for this and other short-term rental agreements totaled \$13,560 for 2014 and \$14,895 for 2013.

Future minimum lease payments are as follows:

Year Ending December 31	
2015	\$ 4,570
2016	4,570
Period January 1, 2017 through March 31, 2017	<u>1,142</u>
Total	<u>\$ 10,282</u>

NOTE 6—CONCENTRATIONS OF CREDIT RISK

The Association maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Association management believes they are not exposed to any significant credit risk on cash.

NOTE 7—FUNCTIONAL EXPENSES

The Association's functional expenses for the year ended December 31 are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>NSBA</u>	<u>Foundation</u>	<u>NSBA</u>	<u>Foundation</u>
Program	\$ 2,538,218	\$ 80,314	\$ 1,603,519	\$ 19,322
Management and General	569,276	27,158	618,829	27,136
Fundraising	—	20,098	—	3,606
Total	<u>\$ 3,107,494</u>	<u>\$ 127,570</u>	<u>\$ 2,222,348</u>	<u>\$ 50,064</u>

NOTE 8—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—PRIOR PERIOD ADJUSTMENTS

The consolidated financial statements have been adjusted to correct beginning net assets at January 1, 2013 for both NSBA and the Foundation. The Foundation's beginning net assets were increased to reflect temporarily restricted net assets totaling \$88,120 and unrestricted net assets of \$2,080 that were incorrectly recorded as liabilities in 2012. The \$88,120 was comprised of the following temporarily restricted net assets: Crisis Fund \$21,709, Scholarship Fund \$43,636, Riders with Disabilities \$7,805, Heroes on Horses \$7,768 and Animal Welfare \$7,202. The \$2,080 increase to the Foundation's unrestricted net assets related to amounts donated in memorial of an individual which were assumed to be restricted donations and erroneously recorded as a liability, when in fact the amounts were unrestricted and should have been reflected as contribution revenue in prior years. NSBA's net assets were increased by \$151,392 to reflect \$23,291 of unrecorded accrued vacation liability, and \$128,101 of net assets related to the board-designated crisis fund and interfund borrowings both reflected as liabilities in 2012, rather than as net assets. Liabilities for all of the above were reduced accordingly.

NOTE 10—SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2015, the date which the financial statements were available for issue. Except for the liquidation of inventory for the Clothes Closet, there are no subsequent events which require disclosure.

SUPPLEMENTARY INFORMATION

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS

Modified Cash Basis

As of December 31, 2014

	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 565,076	\$ 100,929	\$ —	\$ 666,005
Accounts Receivable	405	—	—	405
Due from Affiliate	9,198	—	(9,198)	—
Prepaid Expenses	33,545	—	—	33,545
Total Current Assets	<u>608,224</u>	<u>100,929</u>	<u>(9,198)</u>	<u>699,955</u>
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	327,570	—	—	327,570
Office and Computer Equipment	61,448	—	—	61,448
Computer Software	49,069	—	—	49,069
Vehicles	6,662	—	—	6,662
Furniture and Fixtures	51,502	—	—	51,502
	<u>532,648</u>	<u>—</u>	<u>—</u>	<u>532,648</u>
Less Accumulated Depreciation and Amortization	154,587	—	—	154,587
	<u>378,061</u>	<u>—</u>	<u>—</u>	<u>378,061</u>
OTHER ASSETS				
Certificates of Deposit	375,153	19,903	—	395,056
Long-Term Prepaid Expenses	13,919	—	—	13,919
	<u>389,072</u>	<u>19,903</u>	<u>—</u>	<u>408,975</u>
	<u>\$ 1,375,357</u>	<u>\$ 120,832</u>	<u>\$ (9,198)</u>	<u>\$ 1,486,991</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	\$ 8,602	\$ —	\$ —	\$ 8,602
Due to Affiliate	—	9,198	(9,198)	—
Total Current Liabilities	<u>8,602</u>	<u>9,198</u>	<u>(9,198)</u>	<u>8,602</u>
LONG-TERM LIABILITIES				
Long-Term Debt, Net of Current Maturities	144,264	—	—	144,264
Deferred Revenue	810,247	—	—	810,247
Total Long-Term Liabilities	<u>954,511</u>	<u>—</u>	<u>—</u>	<u>954,511</u>
Total Liabilities	<u>963,113</u>	<u>9,198</u>	<u>(9,198)</u>	<u>963,113</u>
NET ASSETS				
Unrestricted				
Board-Designated	365,310	—	—	365,310
Undesignated	46,934	28,989	—	75,923
	<u>412,244</u>	<u>28,989</u>	<u>—</u>	<u>441,233</u>
Temporarily Restricted	—	82,645	—	82,645
	<u>412,244</u>	<u>111,634</u>	<u>—</u>	<u>523,878</u>
	<u>\$ 1,375,357</u>	<u>\$ 120,832</u>	<u>\$ (9,198)</u>	<u>\$ 1,486,991</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF ASSETS, LIABILITIES, AND NET ASSETS (Continued)

Modified Cash Basis

As of December 31, 2013

	National Snaffle Bit Association	National Snaffle Bit Foundation	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 849,077	\$ 96,891	\$ 945,968
Prepaid Expenses	14,120	—	14,120
Certificates of Deposit	77,829	19,903	97,732
Total Current Assets	<u>941,026</u>	<u>116,794</u>	<u>1,057,820</u>
PROPERTY AND EQUIPMENT			
Land	36,397	—	36,397
Building and Building Improvements	327,570	—	327,570
Office and Computer Equipment	54,204	—	54,204
Computer Software	49,069	—	49,069
Vehicles	6,662	—	6,662
Furniture and Fixtures	51,502	—	51,502
	<u>525,404</u>	<u>—</u>	<u>525,404</u>
Less Accumulated Depreciation and Amortization	135,705	—	135,705
	<u>389,699</u>	<u>—</u>	<u>389,699</u>
CERTIFICATE OF DEPOSIT	296,455	—	296,455
	<u>\$ 1,627,180</u>	<u>\$ 116,794</u>	<u>\$ 1,743,974</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 8,149	\$ —	\$ 8,149
Accrued Vacation Liability	15,654	—	15,654
Deferred Revenue	297,062	—	297,062
Total Current Liabilities	<u>320,865</u>	<u>—</u>	<u>320,865</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Maturities	152,748	—	152,748
Deferred Revenue	484,863	—	484,863
Total Long-Term Liabilities	<u>637,611</u>	<u>—</u>	<u>637,611</u>
Total Liabilities	<u>958,476</u>	<u>—</u>	<u>958,476</u>
NET ASSETS (DEFICIENCY)			
Unrestricted			
Board-Designated	413,378	—	413,378
Undesignated	255,326	(3,209)	252,117
	<u>668,704</u>	<u>(3,209)</u>	<u>665,495</u>
Temporarily Restricted	—	120,003	120,003
	<u>668,704</u>	<u>116,794</u>	<u>785,498</u>
	<u>\$ 1,627,180</u>	<u>\$ 116,794</u>	<u>\$ 1,743,974</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Modified Cash Basis

For the Year Ended December 31, 2014

	National Snaffle Bit Association	National Snaffle Bit Foundation			Total
		Unrestricted	Temporarily Restricted	Total	
REVENUES					
BCF/World Show	\$ 1,516,791	\$ —	\$ —	\$ —	\$ 1,516,791
Membership	286,278	—	—	—	286,278
Credit Card Surcharges	43,280	—	—	—	43,280
Merchandise Sales	22,216	—	—	—	22,216
Stallion Incentive Fund	117,531	—	—	—	117,531
Yearling Sales	182,802	—	—	—	182,802
Judges Program	13,650	—	—	—	13,650
Licensing Program	89,720	—	—	—	89,720
Magazines	273,781	—	—	—	273,781
Smart Point	35,770	—	—	—	35,770
Riders Cup	22,794	—	—	—	22,794
Trainer Sales	33,950	—	—	—	33,950
Other Shows	125,426	—	—	—	125,426
Administrative Charges	22,483	—	—	—	22,483
Year End Award Banquet	26,640	—	—	—	26,640
Rental Income	25,500	—	—	—	25,500
Miscellaneous Revenue	11,152	—	—	—	11,152
Interest Income	1,270	9	—	9	1,279
Special Event					
Auction	—	25,320	—	25,320	25,320
Raffle	—	—	16,660	16,660	16,660
Contributions	—	16,703	63,718	80,421	80,421
Release of Restrictions	—	117,736	(117,736)	—	—
Total Revenues	<u>2,851,034</u>	<u>159,768</u>	<u>(37,358)</u>	<u>122,410</u>	<u>2,973,444</u>
EXPENSES					
Payroll	477,147	9,198	—	9,198	486,345
Payroll Taxes	35,454	—	—	—	35,454
Employee Benefits	61,075	—	—	—	61,075
Advertising	44,950	2,075	—	2,075	47,025
Arena Rental	193,537	—	—	—	193,537
Bank Charges and Credit Card Fees	41,154	88	—	88	41,242
Other Show Expense	31,602	—	—	—	31,602
Awards	143,708	2,038	—	2,038	145,746
Meetings	11,944	—	—	—	11,944
Computer Expense	22,840	—	—	—	22,840
Crisis Fund	23,000	—	—	—	23,000
Outside Services	78,520	20,000	—	20,000	98,520
Day Fees	195,277	—	—	—	195,277
Depreciation	18,882	—	—	—	18,882
Drug Testing	18,497	—	—	—	18,497
Equipment	4,320	—	—	—	4,320
Equipment Rental	13,560	—	—	—	13,560
Filing Fees	—	850	—	850	850
Licenses, Permits, and Filing Fees	1,562	—	—	—	1,562
Insurance Expense	9,109	—	—	—	9,109
Interest Expense	8,769	—	—	—	8,769
Travel, Meals and Lodging	196,529	951	—	951	197,480
Newsletter	1,429	—	—	—	1,429
Office Expenses and Supplies	22,127	290	—	290	22,417
Payouts	785,207	—	—	—	785,207
Plaques and Trophies	63,148	—	—	—	63,148
Postage and Shipping	103,548	366	—	366	103,914
Printing	402,795	—	—	—	402,795
Equestrians with Disabilities - World Show	—	31,555	—	31,555	31,555
Real Estate Taxes	11,250	—	—	—	11,250
Telephone	7,499	484	—	484	7,983
Occupancy	19,232	—	—	—	19,232
Year-End Award Banquet	28,538	—	—	—	28,538
Website and Internet	1,954	—	—	—	1,954
Professional Fees	29,233	8,250	—	8,250	37,483
Auction Expense	—	336	—	336	336
Raffle Expense	—	12,761	—	12,761	12,761
Heroes on Horses - World Show	—	7,721	—	7,721	7,721
Scholarships	—	3,000	—	3,000	3,000
Financial Assistance	—	27,538	—	27,538	27,538
Other	98	69	—	69	167
Total Expenses	<u>3,107,494</u>	<u>127,570</u>	<u>—</u>	<u>127,570</u>	<u>3,235,064</u>
CHANGE IN NET ASSETS	(256,460)	32,198	(37,358)	(5,160)	(261,620)
Net Assets, Beginning	668,704	(3,209)	120,003	116,794	785,498
NET ASSETS, ENDING	\$ 412,244	\$ 28,989	\$ 82,645	\$ 111,634	\$ 523,878

See accompanying accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)

Modified Cash Basis

For the Year Ended December 31, 2013

	National Snaffle Bit Association	National Snaffle Bit Foundation			Total
		Unrestricted	Temporarily Restricted	Total	
REVENUES					
BCF/World Show	\$ 1,276,379	\$ —	\$ —	\$ —	\$ 1,276,379
Membership	279,692	—	—	—	279,692
Credit Card Surcharges	38,627	—	—	—	38,627
Merchandise Sales	12,998	—	—	—	12,998
Stallion Incentive Fund	118,672	—	—	—	118,672
Yearling Sales	138,442	—	—	—	138,442
Judges Program	11,600	—	—	—	11,600
Licensing Program	99,100	—	—	—	99,100
Magazines	67,393	—	—	—	67,393
Smart Point	34,587	—	—	—	34,587
Trainer Sales	46,570	—	—	—	46,570
Other Shows	119,582	—	—	—	119,582
Administrative Charges	5,927	—	—	—	5,927
Other Revenue	3,725	—	—	—	3,725
Year End Award Banquet	44,980	—	—	—	44,980
Interest Income	1,585	66	—	66	1,651
Auction	—	13,957	—	13,957	13,957
Contributions	—	8,372	39,846	48,218	48,218
Release of Restrictions	—	7,963	(7,963)	—	—
Total Revenues	2,299,859	30,358	31,883	62,241	2,362,100
EXPENSES					
Payroll	364,485	—	—	—	364,485
Payroll Taxes	27,573	—	—	—	27,573
Employee Benefits	53,111	—	—	—	53,111
Temporary Help	13,646	—	—	—	13,646
Advertising	102,283	3,123	—	3,123	105,406
Arena Rental	150,123	—	—	—	150,123
Bank Charges and Credit Card Fees	38,526	—	—	—	38,526
Other Show Expense	30,663	—	—	—	30,663
Awards	132,496	2,125	—	2,125	134,621
Meetings	14,240	2,694	—	2,694	16,934
Computer Expense	38,660	—	—	—	38,660
Crisis Fund	22,500	—	—	—	22,500
Outside Services	56,839	20,000	—	20,000	76,839
Day Fees	134,362	—	—	—	134,362
Depreciation	14,617	—	—	—	14,617
Drug Testing	18,580	—	—	—	18,580
Equipment	5,976	104	—	104	6,080
Equipment Rental	14,895	—	—	—	14,895
Licenses, Permits, and Filing Fees	791	138	—	138	929
Insurance Expense	4,396	—	—	—	4,396
Interest Expense	10,196	—	—	—	10,196
Travel, Meals and Lodging	137,639	2,064	—	2,064	139,703
Office Expenses and Supplies	13,830	493	—	493	14,323
Payouts	595,687	—	—	—	595,687
Plaques and Trophies	65,666	—	—	—	65,666
Postage and Shipping	28,270	325	—	325	28,595
Printing	38,554	134	—	134	38,688
Real Estate Taxes	10,567	—	—	—	10,567
Telephone	7,216	603	—	603	7,819
Occupancy	15,451	—	—	—	15,451
Year-End Award Banquet	23,478	—	—	—	23,478
Website and Internet	4,763	—	—	—	4,763
Professional Fees	29,072	525	—	525	29,597
Auction Expense	—	650	—	650	650
Clothes Closet	—	11,169	—	11,169	11,169
Promotional Expense	—	912	—	912	912
Heroes on Horses - World Show	—	950	—	950	950
Scholarships	—	4,000	—	4,000	4,000
Other	3,197	55	—	55	3,252
Total Expenses	2,222,348	50,064	—	50,064	2,272,412
CHANGE IN NET ASSETS	77,511	(19,706)	31,883	12,177	89,688
Net Assets, Beginning	439,801	14,417	—	14,417	454,218
Prior Period Adjustment	151,392	2,080	88,120	90,200	241,592
Net Assets, Beginning, as Adjusted	591,193	16,497	88,120	104,617	695,810
NET ASSETS (DEFICIENCY), ENDING	\$ 668,704	\$ (3,209)	\$ 120,003	\$ 116,794	\$ 785,498