

**NATIONAL SNAFFLE BIT
ASSOCIATION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS**

DECEMBER 31, 2018

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE (Georgia and Illinois not-for-profit corporations, respectively), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses (December 31, 2018 only), and cash flows for the years then ended, and the related notes to the consolidated financial statements. 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's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

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 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 supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Warady & Davis LLP

March 13, 2019

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31

2018

2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,391,719	\$ 1,490,652
Certificates of Deposit	456,595	398,721
Accounts Receivable	55,538	37,474
Prepaid Expenses	5,587	9,063
Total Current Assets	<u>1,909,439</u>	<u>1,935,910</u>

PROPERTY AND EQUIPMENT

Land	36,397	36,397
Building and Building Improvements	359,691	336,181
Office and Computer Equipment	78,423	73,188
Computer Software	63,014	63,014
Trailers	13,462	6,662
Furniture and Fixtures	56,402	55,074
	<u>607,389</u>	<u>570,516</u>
Less Accumulated Depreciation and Amortization	239,665	217,115
	<u>367,724</u>	<u>353,401</u>

OTHER ASSETS

Certificates of Deposit	583,526	—
Long-Term Prepaid Expenses	85	426
	<u>583,611</u>	<u>426</u>

	<u>\$ 2,860,774</u>	<u>\$ 2,289,737</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Portion of Note Payable	\$ —	\$ 23,396
Accrued Liabilities	145,089	127,183
Deferred Revenue	348,055	362,172
Security Deposit	2,550	2,550
Total Current Liabilities	<u>495,694</u>	<u>515,301</u>

LONG-TERM LIABILITIES

Note Payable, net of Current Maturities	—	4,165
Accrued Liability	67,350	51,738
Deferred Revenue	888,471	762,154
Total Long-Term Liabilities	<u>955,821</u>	<u>818,057</u>
Total Liabilities	<u>1,451,515</u>	<u>1,333,358</u>

NET ASSETS

Net Assets Without Donor Restrictions		
Board-Designated	147,670	174,802
Undesignated	1,108,629	621,127
	<u>1,256,299</u>	<u>795,929</u>
Net Assets With Donor Restrictions	152,960	160,450
	<u>1,409,259</u>	<u>956,379</u>

	<u>\$ 2,860,774</u>	<u>\$ 2,289,737</u>
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NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
BCF/World Show	\$ 2,410,269	\$ —	\$ 2,410,269
Membership	391,437	—	391,437
Credit Card Surcharges	87,756	—	87,756
Merchandise Sales	13,527	—	13,527
Stallion Incentive Fund	133,931	—	133,931
Yearling Sales	121,404	—	121,404
Judges Program	2,100	—	2,100
Licensing Program	127,598	—	127,598
Magazines	415,126	—	415,126
Smart Point	47,891	—	47,891
Riders Cup	67,300	—	67,300
Trainer Sales	64,800	—	64,800
Other Shows	193,747	—	193,747
Other Revenue	106,944	—	106,944
Year-End Award Banquet	5,782	—	5,782
Rental Income	32,460	—	32,460
Interest Income	13,905	268	14,173
Special Event			
Auction, net of Direct Expenses of \$3,651	39,370	—	39,370
Contributions	44,327	207,012	251,339
Release of Restrictions	214,770	(214,770)	—
Total Revenues	<u>4,534,444</u>	<u>(7,490)</u>	<u>4,526,954</u>
EXPENSES			
Program	3,567,119		3,567,119
Supporting Services			
Management and General	488,648		488,648
Fundraising	18,307		18,307
Total Expenses	<u>4,074,074</u>		<u>4,074,074</u>
CHANGE IN NET ASSETS	460,370	(7,490)	452,880
Net Assets, Beginning	795,929	160,450	956,379
NET ASSETS, ENDING	<u>\$ 1,256,299</u>	<u>\$ 152,960</u>	<u>\$ 1,409,259</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

For the Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
BCF/World Show	\$ 2,122,642	\$ —	\$ 2,122,642
Membership	367,576	—	367,576
Credit Card Surcharges	75,594	—	75,594
Merchandise Sales	19,181	—	19,181
Stallion Incentive Fund	129,470	—	129,470
Yearling Sales	104,376	—	104,376
Judges Program	3,850	—	3,850
Licensing Program	131,592	—	131,592
Magazines	418,450	—	418,450
Smart Point	45,986	—	45,986
Other Shows	151,587	—	151,587
Other Revenue	105,082	—	105,082
Year-End Award Banquet	12,345	—	12,345
Rental Income	18,755	—	18,755
Interest Income	1,668	—	1,668
Special Events			
Auction, net of Direct Expenses of \$15,372	29,937	—	29,937
Contributions	30,842	163,636	194,478
Release of Restrictions	126,907	(126,907)	—
Total Revenues	<u>3,895,840</u>	<u>36,729</u>	<u>3,932,569</u>
EXPENSES			
Program	2,912,782		2,912,782
Supporting Services			
Management and General	740,523		740,523
Fundraising	16,169		16,169
Total Expenses	<u>3,669,474</u>		<u>3,669,474</u>
CHANGE IN NET ASSETS	226,366	36,729	263,095
Net Assets, Beginning	569,563	123,721	693,284
NET ASSETS, ENDING	<u>\$ 795,929</u>	<u>\$ 160,450</u>	<u>\$ 956,379</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program										Total	
	BCF/ World Show	Riders Cup	Other Shows	Sale	Stallion Incentive	Other Programs	Publication	Foundation Programs	Total Program	Management and General		Fundraising
EXPENSES												
Payroll	\$ 170,082	\$	\$ 117,793	\$ 49,387	\$ 21,757	\$ 43,901	\$ 75,935	\$ 2,772	\$ 481,547	\$ 173,359	\$ 2,772	\$ 657,678
Payroll Taxes	12,968		9,168	3,755	1,639	3,376	5,946		36,852	12,993		49,846
Employee Benefits	16,737		12,956	5,522	2,124	4,248	7,476		49,063	35,594		84,957
Advertising										4,408		4,408
Arena Rental	243,696			10,420					254,116			254,116
Bank Charges and Credit Card Fees										78,210		78,210
Other Show Expense	18,318		563	1,560					15,431	8,199		23,630
Awards	194,391	5,206	107					10,500	210,204	357		210,561
Meetings								9,726	9,726	28,875		38,601
Computer Expense	185			380		3,750	100		4,865	5,523		9,888
Outside Services	44,900		15,100	7,660		425	36,000		135,724	29,294		180,553
Day Fees	220,595	7,650		11,600		3,750		31,639	243,495	1,200		244,695
Depreciation and Amortization	4,442		3,439	1,466	564	1,128	1,984		13,023	9,527		22,550
Drug Testing	26,343		2,563						28,906			28,906
Equipment	8,286		447	1,307	83	167	289		10,579	629		11,208
Equipment Rental	80,641		2,324	15,375	429	1,676	1,499	300	101,944	3,268		105,212
Licenses, Permits, and Filing Fees					355	717	1,240		8,183	2,702		10,885
Insurance Expense	2,807	336	1,922	806					36,902	112		42,743
Interest Expense							13,010		238,940	6,020		244,960
Travel, Meals and Lodging	161,948	6,551	4,281	5,116	791	10,341			31,198	2,869		47,415
Newsletter							556		1,071,883	16,217		1,071,883
Office Expenses and Supplies	11,107		970	250	51	221		18,043	99,643			99,643
Payouts	847,736	79,056			126,584	18,507			77,217	11,559		867,776
Plaques and Trophies			99,643						296,531	4,785		303,316
Postage and Shipping	7,481	1,212	810		108	1,340	66,163	103	42,547	3,500		46,047
Printing	28,548	2,985	3,404	12,904	7,425	5,426	219,421		18,588	608		19,196
Sponsorships	12,547								7,934	5,806		13,740
Stall/Entry Fees									7,092	2,451		9,543
Real Estate Taxes	2,707		2,095	893	343	687	1,209		8,338	6,182		14,500
Telephone	2,519		1,744	782	322	650	1,125		28,874	3,455		28,874
Occupancy	2,844		2,202	939	361	722	1,270		1,441	18,641		18,641
Year-End Award Banquet			381	162	62	125	220		2,500			2,500
Website and Internet	491								28,000			28,000
Professional Fees									985			985
Scholarships												
Financial Assistance												
Other	985									5,139		5,139
Total Expenses	\$ 2,116,254	\$ 102,996	\$ 281,842	\$ 130,084	\$ 162,978	\$ 130,081	\$ 433,443	\$ 207,491	\$ 3,567,119	\$ 488,648	\$ 18,307	\$ 4,074,074

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 452,880</u>	<u>\$ 263,095</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	22,550	21,640
Accounts Receivable	(18,064)	(37,474)
Prepaid Expenses	3,817	7,879
Accrued Liabilities	33,518	967
Deferred Revenue	<u>112,200</u>	<u>200,427</u>
Total Adjustments	<u>154,021</u>	<u>193,439</u>
Net Cash Provided by Operating Activities	<u>606,901</u>	<u>456,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificate of Deposit	(1,029,076)	—
Maturities of Certificates of Deposit	398,942	—
Reinvested Interest on Certificates of Deposits	(11,266)	(1,233)
Purchases of Property and Equipment	<u>(36,873)</u>	<u>(6,581)</u>
Net Cash Used by Investing Activities	<u>(678,273)</u>	<u>(7,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	<u>(27,561)</u>	<u>(71,382)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(98,933)	377,338
Cash and Cash Equivalents, Beginning	<u>1,490,652</u>	<u>1,113,314</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,391,719</u>	<u>\$ 1,490,652</u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Cash paid for: Interest	<u>\$ 112</u>	<u>\$ 2,728</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. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the 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 with donor restriction and without donor restriction based on the existence or absence of imposed restrictions as follows:

- Without Donor Restriction – These funds are not subject to any imposed stipulations. These net assets may be designated for specific purposes by action of the Board of Directors (Board) or may otherwise be limited by contractual agreements with outside parties. At December 31, 2018, Board designated net assets totaled \$147,670 with \$39,706 designated for the Crisis Fund and \$107,964 designated for the Building Fund. At December 31, 2017, Board designated net assets totaled \$174,802 with \$32,447 designated for the Crisis Fund and \$142,355 designated for the Building Fund.
- With Donor Restriction – 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 donor restricted net assets. The Foundation’s policy is to allocate 30% of all restricted donations and release for administrative purposes. These administrative fees are released from restriction and reclassified to support without donor restriction. Donors are advised of this policy prior to solicitation.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 investments purchased with an original 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 expiring through 2020. It is the Association's intent to roll over the CDs. 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 between 0.34% and 3.10% at December 31, 2018 and 3% and .349% at December 31, 2017.

ACCOUNTS RECEIVABLE

Accounts receivable primarily represents amounts owed for advertising in the magazine. No allowance was deemed necessary as management believes amounts to be fully collectible. Amounts are written off to bad debt expense when collection appears doubtful.

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 basis over their estimated useful lives using a half-year convention. 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.....	7
Trailers.....	7
Furniture and Fixtures.....	7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

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.

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—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised the following at December 31, 2018:

Cash and Cash Equivalents	\$ 1,391,719
Certificates of Deposit – Current	456,595
Accounts Receivable.....	55,538
Less: Donor Restricted Net Assets.....	(152,960)
Less: Board Designated Net Assets	<u>(147,670)</u>
	<u>\$ 1,603,222</u>

Although the Association does not intend to spend the board-designated net assets of \$147,670, these amounts could be made available if necessary.

As part of the liquidity management plan, the Association invests cash in excess of daily requirements in certificates of deposit and ensure all cash accounts are interest bearing.

NOTE 3—DEFERRED REVENUE

Deferred revenue at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
BCF Enrollment.....	\$ 613,209	\$ 584,295
Memberships	248,165	228,638
Stallion Incentive Fund	160,875	151,035
Trainer Sales	21,000	18,000
Riders Cup	12,300	40,850
Color BCF Enrollment.....	<u>180,977</u>	<u>101,508</u>
	<u>\$ 1,236,526</u>	<u>\$ 1,124,326</u>

NOTE 4—NOTE PAYABLE BANK

On July 28, 2011, NSBA obtained a loan to finance the purchase of its office building. The note was collateralized by the property. On July 10, 2015, the Association refinanced the loan and also borrowed an additional \$51,333 for operational purposes. Unpaid principal plus accrued interest is due July 10, 2020. Monthly payments, including principal and interest at 3.70%, are \$2,002. The note was paid off in 2018 and an additional principal payment of \$4,165 was made in 2018. An additional \$50,000 principal payment was made in 2017. The amount outstanding was \$-0- at December 31, 2018 and \$27,561 at December 31, 2017.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5—RESTRICTED NET ASSETS

Donor restricted net assets at December 31 are as follows:

	2018	2017
Crisis Fund	\$ 32,709	\$ 32,543
Youth Scholarship/Education Fund	16,900	30,791
Equestrians with Disabilities	6,205	13,890
Heroes on Horses	89,282	74,831
Animal Welfare	7,864	8,395
	<u>\$ 152,960</u>	<u>\$ 160,450</u>

Amounts released from restriction during 2018, inclusive of administrative fees, totaled \$214,770 and represent \$34,723 for the education program, \$2,741 for the Animal Welfare Fund, \$59,379 for the Crisis Fund, \$86,743 for Equestrians with Disabilities and \$31,184 for Heroes on Horses.

Amounts released from restriction during 2017, inclusive of administrative fees, totaled \$126,907 and represent \$1,379 for the scholarship program, \$200 for the Animal Welfare Fund, \$34,823 for the Crisis Fund, \$70,911 for Equestrians with Disabilities and \$19,594 for Heroes on Horses.

NOTE 6—RENTAL INCOME

On May 1, 2014, the Association (lessor) entered into a lease agreement with Fourth Quarter Holdings, Inc., d/b/a Signs Now Gurnee, Inc. (lessee) for general office space, which expired April 30, 2017. Prior to the lease expiring, effective December 1, 2016, the Association renegotiated a new lease which expires November 30, 2019. The lessee shall pay the Association a monthly fee which is fixed at \$2,705 for the entire lease. Included in base rent is the lessee's portion of real estate taxes. The lessee shall also reimburse lessor 25% of snow removal and landscaping maintenance. These reimbursements are netted against occupancy expense on the consolidated statements of activities. Also, the lessee was provided a credit of \$12,000 for building improvements. This credit will be recognized as a \$1,000 reduction in monthly rental payments commencing January 1, 2017. Rental income was \$32,460 for 2018 and \$18,755 for 2017.

Future minimum amounts expected to be collected under the lease agreement is as follows:

Period January 1, 2019 through November 30, 2019	<u>\$ 29,755</u>
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NOTE 7—OPERATING LEASE

In August 2017, the Association entered into a 39-month copier lease with monthly payments of \$623. Rent expense for this and other short-term rental agreements, including tents and a stage for the World Show, totaled \$105,212 for 2018 and \$41,153 for 2017.

Future minimum lease payments are as follows:

Year Ending December 31, 2019	\$ 7,480
Period January 1, 2020 through October 31, 2020	<u>6,234</u>
Total	<u>\$ 13,714</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8—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 9—FUNCTIONAL EXPENSES

In accordance with the new not-for-profit reporting standards, a statement of functional expenses is included for the year ended December 31, 2018. No such statement was required for the year ended December 31, 2017. The Association's functional expenses for the year ended December 31, 2017 is as follows:

	<u>NSBA</u>	<u>Foundation</u>
Program	\$ 2,799,319	\$ 113,463
Management and General	706,573	33,950
Fundraising	<u>—</u>	<u>16,169</u>
Total	<u>\$ 3,505,892</u>	<u>\$ 163,582</u>

NOTE 10—RECLASSIFICATIONS

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

NOTE 11—SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2019, the date which the financial statements were available for issue. There were no subsequent events which would require disclosure.

SUPPLEMENTARY INFORMATION

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

As of December 31, 2018

	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,250,046	\$ 141,673	\$ —	\$ 1,391,719
Certificates of Deposit	456,595	—	—	456,595
Accounts Receivable	55,538	—	—	55,538
Due from Affiliate	885	—	(885)	—
Prepaid Expenses	5,587	—	—	5,587
Total Current Assets	<u>1,768,651</u>	<u>141,673</u>	<u>(885)</u>	<u>1,909,439</u>
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	359,691	—	—	359,691
Office and Computer Equipment	78,423	—	—	78,423
Computer Software	63,014	—	—	63,014
Trailers	13,462	—	—	13,462
Furniture and Fixtures	56,402	—	—	56,402
	<u>607,389</u>	<u>—</u>	<u>—</u>	<u>607,389</u>
Less Accumulated Depreciation and Amortization	239,665	—	—	239,665
	<u>367,724</u>	<u>—</u>	<u>—</u>	<u>367,724</u>
OTHER ASSETS				
Certificates of Deposit	483,259	100,267	—	583,526
Long-Term Prepaid Expenses	85	—	—	85
	<u>483,344</u>	<u>100,267</u>	<u>—</u>	<u>583,611</u>
	<u>\$ 2,619,719</u>	<u>\$ 241,940</u>	<u>\$ (885)</u>	<u>\$ 2,860,774</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Due to Affiliate	\$ —	\$ 885	\$ (885)	\$ —
Accrued Liabilities	145,089	—	—	145,089
Deferred Revenue	348,055	—	—	348,055
Security Deposit	2,550	—	—	2,550
Total Current Liabilities	<u>495,694</u>	<u>885</u>	<u>(885)</u>	<u>495,694</u>
LONG-TERM LIABILITIES				
Accrued Liabilities	67,350	—	—	67,350
Deferred Revenue	888,471	—	—	888,471
Total Long-Term Liabilities	<u>955,821</u>	<u>—</u>	<u>—</u>	<u>955,821</u>
Total Liabilities	<u>1,451,515</u>	<u>885</u>	<u>(885)</u>	<u>1,451,515</u>
NET ASSETS				
Net Assets Without Donor Restrictions				
Board-Designated	147,670	—	—	147,670
Undesignated	1,020,534	88,095	—	1,108,629
	<u>1,168,204</u>	<u>88,095</u>	<u>—</u>	<u>1,256,299</u>
Net Assets With Donor Restrictions	—	152,960	—	152,960
	<u>1,168,204</u>	<u>241,055</u>	<u>—</u>	<u>1,409,259</u>
	<u>\$ 2,619,719</u>	<u>\$ 241,940</u>	<u>\$ (885)</u>	<u>\$ 2,860,774</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION (Continued)

As of December 31, 2017

	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,292,307	\$ 198,345	\$ —	\$ 1,490,652
Certificates of Deposit	378,601	20,120	—	398,721
Accounts Receivable	37,474	—	—	37,474
Due from Affiliate	5,630	—	(5,630)	—
Prepaid Expenses	9,063	—	—	9,063
Total Current Assets	1,723,075	218,465	(5,630)	1,935,910
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	336,181	—	—	336,181
Office and Computer Equipment	73,188	—	—	73,188
Computer Software	63,014	—	—	63,014
Trailers	6,662	—	—	6,662
Furniture and Fixtures	55,074	—	—	55,074
	570,516	—	—	570,516
Less Accumulated Depreciation and Amortization	217,115	—	—	217,115
	353,401	—	—	353,401
OTHER ASSETS				
Long-Term Prepaid Expenses	426	—	—	426
	\$ 2,076,902	\$ 218,465	\$ (5,630)	\$ 2,289,737
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Note Payable	\$ 23,396	\$ —	\$ —	\$ 23,396
Due to Affiliate	—	5,630	(5,630)	—
Accrued Liability	127,183	—	—	127,183
Deferred Revenue	362,172	—	—	362,172
Security Deposit	2,550	—	—	2,550
Total Current Liabilities	515,301	5,630	(5,630)	515,301
LONG-TERM LIABILITIES				
Note Payable, net of Current Maturities	4,165	—	—	4,165
Accrued Liability	51,738	—	—	51,738
Deferred Revenue	762,154	—	—	762,154
Total Long-Term Liabilities	818,057	—	—	818,057
Total Liabilities	1,333,358	5,630	(5,630)	1,333,358
NET ASSETS				
Net Assets Without Donor Restrictions				
Board-Designated	174,802	—	—	174,802
Undesignated	568,742	52,385	—	621,127
	743,544	52,385	—	795,929
Net Assets With Donor Restrictions	—	160,450	—	160,450
	743,544	212,835	—	956,379
	\$ 2,076,902	\$ 218,465	\$ (5,630)	\$ 2,289,737

See accompanying accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF ACTIVITIES

For the Year Ended December 31, 2018

	National Snaffle Bit Foundation				Total
	National Snaffle Bit Association	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES					
BCF/World Show	\$ 2,410,269	\$ —	\$ —	\$ —	\$ 2,410,269
Membership	391,437	—	—	—	391,437
Credit Card Surcharges	87,756	—	—	—	87,756
Merchandise Sales	13,527	—	—	—	13,527
Stallion Incentive Fund	133,931	—	—	—	133,931
Yearling Sales	121,404	—	—	—	121,404
Judges Program	2,100	—	—	—	2,100
Licensing Program	127,598	—	—	—	127,598
Magazines	415,126	—	—	—	415,126
Smart Point	47,891	—	—	—	47,891
Riders Cup	67,300	—	—	—	67,300
Trainer Sales	64,800	—	—	—	64,800
Other Shows	193,747	—	—	—	193,747
Other Revenue	106,944	—	—	—	106,944
Year-End Award Banquet	5,782	—	—	—	5,782
Rental Income	32,460	—	—	—	32,460
Interest Income	13,876	29	268	297	14,173
Special Event - Auction, net of Direct Expenses of \$3,651	—	39,370	—	39,370	39,370
Contributions	—	44,327	207,012	251,339	251,339
Release of Restrictions	—	214,770	(214,770)	—	—
Total Revenues	4,235,948	298,496	(7,490)	291,006	4,526,954
EXPENSES					
Payroll	644,278	13,400	—	13,400	657,678
Payroll Taxes	49,845	—	—	—	49,845
Employee Benefits	84,957	—	—	—	84,957
Advertising	4,408	—	—	—	4,408
Arena Rental	254,116	—	—	—	254,116
Bank Charges and Credit Card Fees	78,210	—	—	—	78,210
Other Show Expense	23,630	—	—	—	23,630
Awards and Gifts	200,061	10,500	—	10,500	210,561
Meetings	28,875	9,726	—	9,726	38,601
Computer Expense	9,888	—	—	—	9,888
Outside Services	116,131	64,422	—	64,422	180,553
Day Fees	244,695	—	—	—	244,695
Depreciation and Amortization	22,550	—	—	—	22,550
Drug Testing	28,906	—	—	—	28,906
Equipment	11,208	—	—	—	11,208
Equipment Rental	105,212	—	—	—	105,212
Licenses, Permits, and Filing Fees	6,831	355	—	355	7,186
Insurance Expense	10,885	—	—	—	10,885
Interest Expense	112	—	—	—	112
Travel, Meals and Lodging	208,058	36,902	—	36,902	244,960
Newsletter	2,869	—	—	—	2,869
Office Expenses and Supplies	24,711	22,704	—	22,704	47,415
Payouts	1,071,883	—	—	—	1,071,883
Plaques and Trophies	99,643	—	—	—	99,643
Postage and Shipping	87,557	1,219	—	1,219	88,776
Printing	284,898	18,418	—	18,418	303,316
Sponsorships	16,047	30,000	—	30,000	46,047
Stall/Entry Fees	—	19,196	—	19,196	19,196
Real Estate Taxes	13,740	—	—	—	13,740
Telephone	9,543	—	—	—	9,543
Occupancy	14,500	—	—	—	14,500
Year-End Award Banquet	28,874	—	—	—	28,874
Website and Internet	4,896	—	—	—	4,896
Professional Fees	14,216	4,425	—	4,425	18,641
Scholarships	—	2,500	—	2,500	2,500
Financial Assistance	—	28,000	—	28,000	28,000
Other	5,055	1,019	—	1,019	6,074
Total Expenses	3,811,288	262,786	—	262,786	4,074,074
CHANGE IN NET ASSETS	424,660	35,710	(7,490)	28,220	452,880
Net Assets, Beginning	743,544	52,385	160,450	212,835	956,379
NET ASSETS, ENDING	\$ 1,168,204	\$ 88,095	\$ 152,960	\$ 241,055	\$ 1,409,259

See accompanying accountants' report.

CONSOLIDATING SCHEDULES OF ACTIVITIES (Continued)

For the Year Ended December 31, 2017

	National Snaffle Bit Foundation				Total
	National Snaffle Bit Association	Without Donor Restrictions	With Donor Restrictions	Foundation Total	
REVENUES					
BCF/World Show	\$ 2,122,642	\$ —	\$ —	\$ —	\$ 2,122,642
Membership	367,576	—	—	—	367,576
Credit Card Surcharges	75,594	—	—	—	75,594
Merchandise Sales	19,181	—	—	—	19,181
Stallion Incentive Fund	129,470	—	—	—	129,470
Yearling Sales	104,376	—	—	—	104,376
Judges Program	3,850	—	—	—	3,850
Licensing Program	131,592	—	—	—	131,592
Magazines	418,450	—	—	—	418,450
Smart Point	45,986	—	—	—	45,986
Other Shows	151,587	—	—	—	151,587
Other Revenue	105,082	—	—	—	105,082
Year-End Award Banquet	12,345	—	—	—	12,345
Rental Income	18,755	—	—	—	18,755
Interest Income	1,592	76	—	76	1,668
Special Events					
Auction, net of Direct Expenses of \$15,372	—	29,937	—	29,937	29,937
Contributions	—	30,842	163,636	194,478	194,478
Release of Restrictions	—	126,907	(126,907)	—	—
Total Revenues	<u>3,708,078</u>	<u>187,762</u>	<u>36,729</u>	<u>224,491</u>	<u>3,932,569</u>
EXPENSES					
Payroll	586,860	13,400	—	13,400	600,260
Payroll Taxes	45,511	—	—	—	45,511
Employee Benefits	88,264	—	—	—	88,264
Advertising	7,382	50	—	50	7,432
Arena Rental	233,967	—	—	—	233,967
Bank Charges and Credit Card Fees	73,941	—	—	—	73,941
Other Show Expense	42,811	—	—	—	42,811
Awards and Gifts	176,785	3,500	—	3,500	180,285
Meetings	20,430	611	—	611	21,041
Computer Expense	5,171	—	—	—	5,171
Outside Services	123,137	34,550	—	34,550	157,687
Day Fees	217,458	—	—	—	217,458
Depreciation and Amortization	21,640	—	—	—	21,640
Drug Testing	31,658	—	—	—	31,658
Equipment	7,766	—	—	—	7,766
Equipment Rental	41,153	—	—	—	41,153
Licenses, Permits, and Filing Fees	652	125	—	125	777
Insurance Expense	12,270	—	—	—	12,270
Interest Expense	2,728	—	—	—	2,728
Travel, Meals and Lodging	210,380	22,487	—	22,487	232,867
Newsletter	2,470	—	—	—	2,470
Office Expenses and Supplies	27,156	7,088	—	7,088	34,244
Payouts	925,889	—	—	—	925,889
Plaques and Trophies	98,252	—	—	—	98,252
Postage and Shipping	89,807	1,383	—	1,383	91,190
Printing	286,306	14,288	—	14,288	300,594
Sponsorships	—	30,000	—	30,000	30,000
Stall/Entry Fees	—	11,900	—	11,900	11,900
Real Estate Taxes	12,176	—	—	—	12,176
Telephone	9,190	—	—	—	9,190
Occupancy	11,788	—	—	—	11,788
Year-End Award Banquet	47,830	—	—	—	47,830
Website and Internet	4,688	—	—	—	4,688
Professional Fees	22,039	4,854	—	4,854	26,893
Scholarships	—	1,000	—	1,000	1,000
Financial Assistance	—	18,000	—	18,000	18,000
Other	18,337	346	—	346	18,683
Total Expenses	<u>3,505,892</u>	<u>163,582</u>	<u>—</u>	<u>163,582</u>	<u>3,669,474</u>
CHANGE IN NET ASSETS	202,186	24,180	36,729	60,909	263,095
Net Assets, Beginning	541,358	28,205	123,721	151,926	693,284
NET ASSETS, ENDING	\$ 743,544	\$ 52,385	\$ 160,450	\$ 212,835	\$ 956,379