

**NATIONAL SNAFFLE BIT
ASSOCIATION,
NATIONAL SNAFFLE BIT
FOUNDATION AND AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS**

DECEMBER 31, 2021



NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT AND ACCOUNTANTS' REVIEW REPORT

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

Audit Opinion

We have audited the accompanying financial statements of NATIONAL SNAFFLE BIT FOUNDATION (an Illinois nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of NATIONAL SNAFFLE BIT FOUNDATION as of December 31, 2021, and the changes in its net assets and its 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 Financial Statements section of our report. We are required to be independent of NATIONAL SNAFFLE BIT FOUNDATION and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NATIONAL SNAFFLE BIT FOUNDATION's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, including omissions, 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 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 NATIONAL SNAFFLE BIT FOUNDATION'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NATIONAL SNAFFLE BIT FOUNDATION 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with 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.

Review Report

Additionally we have reviewed the accompanying consolidated financial statements of NATIONAL SNAFFLE BIT ASSOCIATION (a Georgia not-for-profit corporation), as of and for the years ended December 31, 2021 and 2020, and NATIONAL SNAFFLE BIT FOUNDATION as of and for the year ended December 31, 2020, (collectively the Association) which comprise the statements of financial position and the related statements of activities, functional expenses 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 entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement 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.

We are required to be independent of NATIONAL SNAFFLE BIT ASSOCIATION and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Correction of Error

As described in Note 10 to the financial statements, the Association has restated its December 31, 2020 consolidated financial statements to correct errors related to the recognition of revenue related to the Smart Point liability in accordance with U.S. GAAP. Our conclusion is not modified with respect to that matter

Accountants' Conclusion

Based on our review, 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.

Warady & Davis LLP

May 5, 2022

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021

	National Snaffle Bit Association (Reviewed)	National Snaffle Bit Foundation (Audited)	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,157,044	\$ 524,767	\$ —	\$ 3,681,811
Certificates of Deposit	1,182,565	201,288	—	1,383,853
Accounts Receivable	23,621	—	—	23,621
Due from Affiliate	—	6,450	(6,450)	—
Prepaid Expenses	62,788	—	—	62,788
Total Current Assets	<u>4,426,018</u>	<u>732,505</u>	<u>(6,450)</u>	<u>5,152,073</u>
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	378,725	—	—	378,725
Office and Computer Equipment	129,920	—	—	129,920
Computer Software	64,883	—	—	64,883
Trailers	13,462	—	—	13,462
Furniture and Fixtures	77,262	—	—	77,262
	<u>700,649</u>	<u>—</u>	<u>—</u>	<u>700,649</u>
Less Accumulated Depreciation and Amortization	321,276	—	—	321,276
	<u>379,373</u>	<u>—</u>	<u>—</u>	<u>379,373</u>
OTHER ASSETS				
Certificates of Deposit	504,395	—	—	504,395
	<u>\$ 5,309,786</u>	<u>\$ 732,505</u>	<u>\$ (6,450)</u>	<u>\$ 6,035,841</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ —	\$ 11,462	\$ —	\$ 11,462
Due to Affiliate	6,450	—	(6,450)	—
Accrued Liabilities	186,577	—	—	186,577
Smart Point Liability	44,836	—	—	44,836
Deferred Revenue	193,583	—	—	193,583
Security Deposit	2,550	—	—	2,550
Total Current Liabilities	<u>433,996</u>	<u>11,462</u>	<u>(6,450)</u>	<u>439,008</u>
LONG-TERM LIABILITIES				
Accrued Liabilities	93,806	—	—	93,806
Smart Point Liability	188,547	—	—	188,547
Deferred Revenue	1,669,137	—	—	1,669,137
Total Long-Term Liabilities	<u>1,951,490</u>	<u>—</u>	<u>—</u>	<u>1,951,490</u>
Total Liabilities	<u>2,385,486</u>	<u>11,462</u>	<u>(6,450)</u>	<u>2,390,498</u>
NET ASSETS				
Net Assets Without Donor Restrictions				
Board-Designated	153,539	—	—	153,539
Undesignated	2,770,761	271,238	—	3,041,999
	<u>2,924,300</u>	<u>271,238</u>	<u>—</u>	<u>3,195,538</u>
Net Assets With Donor Restrictions	—	449,805	—	449,805
	<u>2,924,300</u>	<u>721,043</u>	<u>—</u>	<u>3,645,343</u>
	<u>\$ 5,309,786</u>	<u>\$ 732,505</u>	<u>\$ (6,450)</u>	<u>\$ 6,035,841</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2020

	Restated National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,677,114	\$ 202,447	\$ —	\$ 1,879,561
Certificates of Deposit	1,176,081	200,184	—	1,376,265
Accounts Receivable	25,405	—	—	25,405
Due from Affiliate	1,181	—	(1,181)	—
Prepaid Expenses	43,060	—	—	43,060
Total Current Assets	<u>2,922,841</u>	<u>402,631</u>	<u>(1,181)</u>	<u>3,324,291</u>
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	359,691	—	—	359,691
Office and Computer Equipment	103,795	—	—	103,795
Computer Software	63,014	—	—	63,014
Trailers	13,462	—	—	13,462
Furniture and Fixtures	70,019	—	—	70,019
	<u>646,378</u>	<u>—</u>	<u>—</u>	<u>646,378</u>
Less Accumulated Depreciation and Amortization	292,528	—	—	292,528
	<u>353,850</u>	<u>—</u>	<u>—</u>	<u>353,850</u>
OTHER ASSETS				
Certificates of Deposit	500,627	—	—	500,627
	<u>\$ 3,777,318</u>	<u>\$ 402,631</u>	<u>\$ (1,181)</u>	<u>\$ 4,178,768</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Due to Affiliate	\$ —	\$ 1,181	\$ (1,181)	\$ —
Accrued Liabilities	156,455	—	—	156,455
Smart Point Liability	43,643	—	—	43,643
Deferred Revenue	454,152	—	—	454,152
Security Deposit	2,550	—	—	2,550
Total Current Liabilities	<u>656,800</u>	<u>1,181</u>	<u>(1,181)</u>	<u>656,800</u>
LONG-TERM LIABILITIES				
Accrued Liabilities	72,839	—	—	72,839
Smart Point Liability	121,026	—	—	121,026
Deferred Revenue	1,066,065	—	—	1,066,065
Total Long-Term Liabilities	<u>1,259,930</u>	<u>—</u>	<u>—</u>	<u>1,259,930</u>
Total Liabilities	<u>1,916,730</u>	<u>1,181</u>	<u>(1,181)</u>	<u>1,916,730</u>
NET ASSETS				
Net Assets Without Donor Restrictions				
Board-Designated	352,851	—	—	352,851
Undesignated	1,507,737	163,406	—	1,671,143
	<u>1,860,588</u>	<u>163,406</u>	<u>—</u>	<u>2,023,994</u>
Net Assets With Donor Restrictions	—	238,044	—	238,044
	<u>1,860,588</u>	<u>401,450</u>	<u>—</u>	<u>2,262,038</u>
	<u>\$ 3,777,318</u>	<u>\$ 402,631</u>	<u>\$ (1,181)</u>	<u>\$ 4,178,768</u>

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2021

	National Snaffle Bit Association Without Donor (Reviewed)	National Snaffle Bit Foundation (Audited)			Total
		Without Donor Restrictions	With Donor Restrictions	Foundation Total	
REVENUES					
Support					
Contributions	\$ 115,790	\$ 133,686	\$ 458,819	\$ 592,505	\$ 708,295
Special Event - Online Auction and Raffle	—	—	—	—	—
Release of Restrictions	—	247,058	(247,058)	—	—
	<u>115,790</u>	<u>380,744</u>	<u>211,761</u>	<u>592,505</u>	<u>708,295</u>
Program					
BCF/World Show	3,074,568	—	—	—	3,074,568
BCF and Color BCF Added Money	324,715	—	—	—	324,715
Membership	829,545	—	—	—	829,545
Credit Card Surcharges	188,669	—	—	—	188,669
Merchandise Sales	32,107	—	—	—	32,107
Stallion Incentive Fund	123,320	—	—	—	123,320
Yearling Sales	157,072	—	—	—	157,072
Judges Program	10,050	—	—	—	10,050
Licensing Program	502,976	—	—	—	502,976
Magazines	429,802	—	—	—	429,802
Smart Point	21,625	—	—	—	21,625
Riders Cup	—	—	—	—	—
Trainer Sales	—	—	—	—	—
Other Shows	593,570	—	—	—	593,570
Year-End Award Banquet	7,310	—	—	—	7,310
	<u>6,295,329</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,295,329</u>
Other Revenues					
Rental Income	32,460	—	—	—	32,460
Interest Income	10,526	1,149	—	1,149	11,675
Miscellaneous Revenue	140,950	—	—	—	140,950
	<u>183,936</u>	<u>1,149</u>	<u>—</u>	<u>1,149</u>	<u>185,085</u>
	<u>6,595,055</u>	<u>381,893</u>	<u>211,761</u>	<u>593,654</u>	<u>7,188,709</u>
EXPENSES					
Program Services	4,540,226	218,305	—	218,305	4,758,531
Supporting Services					
Management and General	991,117	32,695	—	32,695	1,023,812
Fundraising	—	21,566	—	21,566	21,566
Special Events Fundraising	—	1,495	—	1,495	1,495
	<u>5,531,343</u>	<u>274,061</u>	<u>—</u>	<u>274,061</u>	<u>5,805,404</u>
CHANGE IN NET ASSETS	1,063,712	107,832	211,761	319,593	1,383,305
Net Assets, Beginning as Restated	1,860,588	163,406	238,044	401,450	2,262,038
NET ASSETS, ENDING	\$ 2,924,300	\$ 271,238	\$ 449,805	\$ 721,043	\$ 3,645,343

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

For the Year Ended December 31, 2020 (Restated)

	Restated National Snaffle Bit Association	National Snaffle Bit Foundation			Total
		Without Donor Restrictions	With Donor Restrictions	Foundation Total	
REVENUES					
Support					
Contributions	\$ 23,500	\$ 29,666	\$ 152,018	\$ 181,684	\$ 205,184
Special Event - Online Auction	—	54,966	—	54,966	54,966
Release of Restrictions	—	142,127	(142,127)	—	—
	<u>23,500</u>	<u>226,759</u>	<u>9,891</u>	<u>236,650</u>	<u>260,150</u>
Program					
BCF/World Show	3,007,372	—	—	—	3,007,372
Membership	405,439	—	—	—	405,439
Credit Card Surcharges	126,353	—	—	—	126,353
Merchandise Sales	19,522	—	—	—	19,522
Stallion Incentive Fund	123,635	—	—	—	123,635
Yearling Sales	127,638	—	—	—	127,638
Judges Program	10,625	—	—	—	10,625
Licensing Program	246,581	—	—	—	246,581
Magazines	330,869	—	—	—	330,869
Smart Point	13,055	—	—	—	13,055
Riders Cup	77,005	—	—	—	77,005
Trainer Sales	44,550	—	—	—	44,550
Other Shows	68,939	—	—	—	68,939
	<u>4,601,583</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,601,583</u>
Other Revenues					
Government Grant - Payroll Protection Program					
Loan Forgiveness	187,000	—	—	—	187,000
Rental Income	24,345	—	—	—	24,345
Interest Income	22,899	1,914	—	1,914	24,813
Miscellaneous Revenue	21,957	—	—	—	21,957
	<u>256,201</u>	<u>1,914</u>	<u>—</u>	<u>1,914</u>	<u>258,115</u>
Total Revenues	<u>4,881,284</u>	<u>228,673</u>	<u>9,891</u>	<u>238,564</u>	<u>5,119,848</u>
EXPENSES					
Program Services	3,919,293	143,136	—	143,136	4,062,429
Supporting Services					
Management and General	505,678	34,985	—	34,985	540,663
Fundraising	—	26,868	—	26,868	26,868
Special Events Fundraising	—	6,185	—	6,185	6,185
Total Expenses	<u>4,424,971</u>	<u>211,174</u>	<u>—</u>	<u>211,174</u>	<u>4,636,145</u>
CHANGE IN NET ASSETS	<u>456,313</u>	<u>17,499</u>	<u>9,891</u>	<u>27,390</u>	<u>483,703</u>
Net Assets, Beginning of Year, as Previously Reported	1,529,408	145,907	228,153	374,060	1,903,468
Prior Period Adjustments	(125,133)	—	—	—	(125,133)
Net Assets, Beginning of Year, as Restated	1,404,275	145,907	228,153	374,060	1,778,335
NET ASSETS, ENDING	\$ 1,860,588	\$ 163,406	\$ 238,044	\$ 401,450	\$ 2,262,038

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services										Supporting Services			Total
	BCF/ World Show	Other Shows	Sales	Stallion Incentive Fund	Other Programs	Publication	(Audited) Foundation	Total Program Services	Association Management and General	Foundation Management and General	(Audited) Foundation Fundraising	Special Events Fundraising	(Audited) Foundation Fundraising	
EXPENSES														
Payroll	\$ 230,339	\$ 96,004	\$ 26,530	\$ 34,248	\$ 75,556	\$ 56,257	\$ 10,980	\$ 529,914	\$ 451,839	\$ 7,040	\$ 1,980	\$	\$ 990,773	
Payroll Taxes	20,437	8,669	2,396	3,093	6,823	3,060		46,498	40,127				86,625	
Employee Benefits	17,386	10,684	2,088	2,331	5,197	4,347		42,033	55,097				97,130	
Advertising									200				200	
Arena Rental	484,995		10,420		6,821			502,236	177,549				502,236	
Bank Charges and Credit Card Fees					1,214			1,214	3,702				178,763	
Other Show Expense	33,861	80	2,630		453			37,024	3,702				40,726	
Awards	216,383				10,635			227,075	878				227,953	
Meetings					200			4,758	33,367				38,125	
Computer Expense	5,307		581		616			6,873	7,571				14,444	
Outside Services	71,334	20,103	9,107		369			187,941	51,135				271,425	
Day Fees	317,469		9,200		11,135			326,669	484				327,153	
Depreciation and Amortization	5,146	3,162	618					12,441	16,308				28,749	
Drug Testing	22,012	95,908		690	1,538	1,287		117,920	7,906				125,826	
Equipment	2,577	647	179	231	510	379		4,523	3,047				7,570	
Equipment Rental	123,246	1,436	2,897	512	1,130	841		130,062	6,757				136,819	
Licenses, Permits, and Filing Fees					10			10	114				374	
Insurance Expense	2,719	1,133	312	404	892	664		6,124	5,336				11,460	
Travel, Meals and Lodging	259,882	5,423	13,411	1,606	18,750	17,766		398,297	22,299				420,596	
Newsletter									2,331				2,331	
Office Expenses and Supplies	13,202	232	432	50	294	94		32,852	17,046				50,855	
Payouts	1,170,554			108,948				1,279,502		767			1,279,502	
Plaques and Trophies		234,152						234,152					234,152	
Postage and Shipping	4,128		429	225	9,147	107,746		124,111	15,733				141,516	
Printing	40,628	3,738	12,050	3,605	7,924	321,536		404,072	12,380	1,672	3,437		419,889	
Sponsorships	8,593							8,593	3,000				11,693	
Stall/Entry Fees								20,150					20,150	
Real Estate Taxes	2,272	1,395	273	305	680	568		5,493	7,199				12,692	
Telephone	3,678	1,533	424	547	1,207	898		8,287	7,216				15,503	
Occupancy	2,437	1,497	293	327	729	609		5,892	7,812				13,704	
Year-End Award Banquet					18,466			18,466					18,466	
Website and Internet	1,323	813	159	177	395	332		3,199	6,592				9,791	
Professional Fees									22,481	4,475		1,495	26,956	
Auction Expense														
Scholarships														
Financial Assistance														
Bad Debt Expense														
Other	50							50	4,793				4,793	
TOTALS	\$ 3,059,958	\$ 489,045	\$ 94,429	\$ 157,299	\$ 180,322	\$ 559,173	\$ 218,305	\$ 4,755,531	\$ 991,117	\$ 32,695	\$ 21,566	\$ 1,495	\$ 5,805,404	

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2020

EXPENSES	Program Services										Supporting Services			
	World Show	BCF/ Other Show	Riders Cup	Other Shows	Sales	Stallion			Foundation	Program Services	Management and General	Special Events		
						Incentive Fund	Other Programs	Publication				Fundraising	Fundraising	Total
Payroll	\$ 151,891	\$	—	\$ 152,521	\$ 68,048	\$ 23,374	\$ 77,241	\$ 88,268	\$ 2,772	\$ 564,115	\$ 218,666	\$ 2,772	\$	\$ 785,553
Payroll Taxes	12,060	—	—	11,829	5,245	1,827	6,129	6,952	—	16,836	16,836	—	—	60,878
Employee Benefits	14,286	—	—	15,063	5,831	1,944	6,804	9,281	—	44,042	43,974	—	—	97,183
Advertising	—	—	—	—	—	—	—	—	—	53,209	3,500	—	—	3,500
Arena Rental	369,995	—	—	—	10,420	—	—	—	—	380,415	108,904	—	—	380,415
Bank Charges and Credit Card Fees	—	—	—	—	—	—	—	—	—	—	10,000	—	—	10,000
Other Show Expense	13,728	—	—	—	1,950	—	—	—	—	15,678	10,000	—	—	25,678
Awards	249,303	—	6,172	12	—	—	8,210	—	3,500	267,197	2,014	—	—	269,211
Meetings	—	—	—	—	—	—	—	—	128	128	(646)	—	—	(517)
Computer Expense	2,832	—	—	—	687	—	—	120	—	3,639	4,905	—	—	8,544
Outside Services	52,989	—	—	6,500	7,560	—	—	39,480	22,220	128,749	24,001	15,810	—	168,560
Day Fees	256,043	—	7,550	—	8,450	—	2,500	—	—	274,543	496	—	—	275,039
Depreciation and Amortization	3,831	—	—	4,040	1,564	521	1,825	2,489	—	14,270	11,794	—	—	26,064
Drug Testing	42,988	—	—	3,645	—	—	—	—	—	46,633	—	—	—	46,633
Equipment	5,583	—	—	442	197	68	224	256	—	6,720	1,049	—	—	7,769
Equipment Rental	56,018	—	—	2,845	2,500	436	1,441	1,647	—	66,887	8,038	—	—	74,925
Licenses, Permits, and Filing Fees	—	—	—	—	—	—	10	—	—	10	477	—	—	487
Insurance Expense	2,259	—	—	2,269	1,012	348	1,149	1,313	—	8,350	3,196	—	—	11,486
Travel, Meals and Lodging	198,006	—	8,132	1,440	7,045	221	8,686	6,244	31,344	261,118	2,224	—	—	263,342
Newsletter	—	—	—	—	—	—	—	—	—	—	2,642	—	—	2,642
Office Expenses and Supplies	16,401	—	83	279	145	36	126	252	9,542	26,864	11,837	—	4,190	42,891
Online Auction Expenses	—	—	—	—	—	—	—	—	—	—	—	—	1,995	1,995
Payouts	1,082,180	—	77,522	—	—	138,869	—	—	—	1,298,571	—	—	—	1,298,571
Plaques and Trophies	—	—	—	121,258	—	—	—	—	—	121,258	—	—	—	121,258
Postage and Shipping	6,430	—	315	948	—	195	3,745	57,717	—	69,350	11,653	3,716	—	84,719
Printing	39,519	—	750	4,951	13,945	3,877	7,977	190,320	9,750	271,089	5,685	4,570	—	281,344
Sponsorships	22,787	—	—	—	—	—	—	—	30,000	52,787	1,825	—	—	54,612
Stall/Entry Fees	—	—	—	—	—	—	—	—	13,180	13,180	—	—	—	13,180
Real Estate Taxes	1,822	—	—	1,921	744	248	868	1,184	—	6,787	5,605	—	—	12,392
Telephone	1,908	—	—	1,916	855	294	971	1,109	—	7,063	2,649	—	—	9,702
Occupancy	2,544	—	—	2,682	1,038	346	1,212	1,653	—	9,475	8,589	—	—	18,064
Year-End Award Banquet	—	—	—	—	—	—	27,819	—	—	27,819	—	—	—	27,819
Website and Internet	336	—	—	355	137	46	160	219	—	1,253	3,435	—	—	4,688
Professional Fees	—	—	—	—	490	—	—	—	1,200	1,690	24,897	—	—	26,587
Scholarships	—	—	—	—	—	—	—	—	1,000	1,000	—	—	—	1,000
Financial Assistance	—	—	—	—	—	—	—	—	18,500	18,500	—	—	—	18,500
Other	50	—	—	—	—	—	—	—	—	50	2,477	—	—	2,527
Total Expenses	\$ 2,607,739	\$	\$ 109,524	\$ 334,916	\$ 137,863	\$ 172,650	\$ 157,087	\$ 408,504	\$ 143,136	\$ 4,062,429	\$ 540,663	\$ 26,868	\$ 6,185	\$ 4,636,145

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31

2021

2020

	National Snaffle Bit Association	(Audited) National Snaffle Bit Foundation	Eliminations	Total	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 1,063,712	\$ 319,593	\$ —	\$ 1,383,305	\$ 456,313	\$ 27,390	\$ —	\$ 483,703
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities								
Depreciation and Amortization	28,749	—	—	28,749	26,064	—	—	26,064
Accounts Receivable	1,784	—	—	1,784	20,879	—	—	20,879
Due from Affiliate	1,181	(6,450)	5,269	—	(1,181)	14,557	(13,376)	—
Prepaid Expenses	(19,728)	—	—	(19,728)	(40,997)	—	—	(40,997)
Accounts Payable	—	11,462	—	11,462	—	—	—	—
Due to Affiliate	6,450	(1,181)	(5,269)	—	(14,557)	1,181	13,376	—
Accrued Liabilities	51,089	—	—	51,089	(12,743)	—	—	(12,743)
Smart Point Liability	68,714	—	—	68,714	39,537	—	—	39,537
Deferred Revenue	342,503	—	—	342,503	176,362	—	—	176,362
Total Adjustments	480,742	3,831	—	484,573	198,364	15,738	—	209,102
Net Cash Provided by Operating Activities	1,544,454	323,424	—	1,867,878	649,677	43,128	—	692,805
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of Certificates of Deposit	—	—	—	—	(1,675,000)	(200,000)	—	(1,875,000)
Maturities of Certificates of Deposit	—	—	—	—	1,563,522	101,352	—	1,664,874
Reinvested Interest on Certificates of Deposits	(10,262)	(1,104)	—	(11,366)	(1,707)	(185)	—	(1,892)
Purchases of Property and Equipment	(54,272)	—	—	(54,272)	(21,390)	—	—	(21,390)
Net Cash Used by Investing Activities	(64,524)	(1,104)	—	(65,628)	(134,575)	(98,833)	—	(233,408)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,479,930	322,320	—	1,802,250	515,102	(55,705)	—	459,397
Cash and Cash Equivalents, Beginning	1,677,114	202,447	—	1,879,561	1,162,012	258,152	—	1,420,164
CASH AND CASH EQUIVALENTS, ENDING	\$ 3,157,044	\$ 524,767	\$ —	\$ 3,681,811	\$ 1,677,114	\$ 202,447	\$ —	\$ 1,879,561

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The accompanying consolidated financial statements include the accounts of National Snaffle Bit Association (NSBA) and its affiliates, National Snaffle Bit Foundation (the Foundation) and National Open Horse Show Association (NOHSA), 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.

The 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 NSBA.

National Open Horse Show Association (NOHSA) was formed in 2019 to promote cooperation amongst all horse show clubs and exhibitors and to improve the open horse show community through programs, events and shows, as well as encourage the use of standard rules for holding and judging open horse shows, maintain records of open horse show results and reward participants regionally and nationally. It is a member organization that hosts an annual horse show and tracks points and awards high point winners for competitors. Operations commenced in 2020. Due to its immateriality, \$33,604 of NOSHA income is included in miscellaneous revenue in 2021 and \$935 in 2020 on the statements of activities, and \$31,445 of expenses in 2021 and \$8,347 in 2020 are included in NSBA's operations in other programs on the statements of functional expenses and not separately disclosed.

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 consolidated financial statements.

In preparation of the consolidated financial statements, the Association follows the provisions of the Financial Standards Accounting Board (FASB)'s Accounting Standards Codification (ASC) 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 Restrictions – 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, 2021, Board-designated net assets totaled \$153,539 designated entirely for the Crisis Fund. At December 31, 2020, Board-designated net assets totaled \$352,851 with \$152,851 designated for the Crisis Fund, \$200,000 designated for the World Show.
- With Donor Restrictions – These are funds whose use is subject to donor-imposed stipulations that could be fulfilled by actions of the Board 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. Commencing January 1, 2022, the Foundation has implemented a sliding scale administrative percentage. These administrative fees are released from restrictions and reclassified to support without donor restrictions. Donors are advised of this policy prior to solicitation.

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, the Foundation and NOHSA. All significant inter-entity transactions and balances have been eliminated in the consolidation.

USE OF ESTIMATES

The preparation of consolidated 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 consolidated 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

NSBA and the Foundation have certificates of deposit (CDs) with varying lengths of maturity expiring through 2023. It is both organizations' intent to roll over the CDs. The CDs are recorded at cost plus accrued interest, which approximates fair value, and the interest is reinvested when a CD is rolled over. Interest rates on all CDs are between .50% and .75% at December 31, 2021 and 0.55% and 0.75% at December 31, 2020.

ACCOUNTS RECEIVABLE

Accounts receivable primarily represents amounts owed for advertising in NSBA's 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	10 – 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)

ADVERTISING COSTS

The Association expenses advertising costs as they are incurred.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing various programs and other activities are presented on a functional basis in the consolidated 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.

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. NOHSA is exempt from federal income taxes under Internal Revenue Code section 501(c)(5), effective January 16, 2019. To the extent unrelated business income exists, NSBA, NOHSA 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 consolidated 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 consolidated 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. Management believes that it has appropriate support for the positions taken on the Association's returns.

No income tax liabilities resulting from unrelated business income tax are reported in the consolidated statements of financial position and no unrelated business income tax expenses are included in the consolidated statements of activities as management believes the amounts would not be material.

NSBA, the Foundation and NOHSA file their respective Forms 990 with the Internal Revenue Service. The Association also files its IRS and Illinois Forms 990T. The Foundation files its AG 990IL with the State of Illinois.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

NSBA has numerous sources of program revenue resulting from various types of contracts with customers. There are no contracts which contain variable consideration and there are no contract modifications.

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. Thus, these amounts are recognized over time. The amount of membership dues collected but unearned as of year-end are recorded as deferred revenue.

Sponsorship income is either recognized at a point in time for show or event sponsorship or over time for overall or class sponsorships of the Association. Event sponsors receive benefits from their sponsorship in location, parking, RV spaces, golf carts, banners, advertisement, etc. as well as class sponsorships that provide money and awards for the annual event.

Subscriptions for NSBA's magazine and related advertising revenue are recognized as revenue over the subscription period and thus recorded over time. Amounts received in advance of the subscription period are recorded as deferred revenue.

The BCF and Color BCF Added Money is an incentive program for breeders whereby enrollment makes foals eligible for specific competition to compete for the purse generated from the program over the course of the horses age from one year through their sixth year. BCF and Color BCF enrollment revenue is received throughout the period the horse is in competition, and recognized upon payout, thus at a point in time. Amounts received in advance are recorded as deferred revenue.

The NSBA World Championship Show is an annual event with 3000 stalls sold, 10,000 individual entries made by owners and exhibitors where participants compete in a horse show for money and prizes. World Show and Other Show revenues are recognized at a point in time when the performance obligations are satisfied at the events.

Credit Card Surcharges represent amounts charged to customers for using credit cards for payment. NSBA charges a percentage for the use of the credit cards to recoup the expenses it had to pay to the credit card vendors. This revenue is recognized at a point in time when the transactions occur.

The Trainer Sale is a program whereby a trainer donates one month's training service. A horse owner purchases the service. Trainer sales revenue is recognized when the training occurs, thus at a point in time.

The Judge's program certifies judges by providing educational material and testing for judges to maintain and receive certification to judge NSBA events. Judges Program revenue is recognized at a point in time when the performance obligation is satisfied.

The Licensing Program enrolls horses into a breeding incentive program, where enrolled horses compete at NSBA horse shows and earn money for NSBA points received in such competition. The Licensing Program horse registration fee is recognized at a point in time.

Stallion Incentive Fund (SIF) - stallion auction sale proceeds are recognized at the time of sale, thus at a point in time. The incentive funds are paid out based on year-end competition points. and the auction proceeds are used to pay the fees for the SIF payout.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The Yearling Sale is an annual auction. NSBA provides the platform for sellers to meet with buyers and the yearling horses sold through the sale are then eligible for additional purse money in their two and three-year old years. Yearling Sales revenue is recognized at a point in time when the sale occurs.

Smart Points is an incentive fund program for youth showing in NSBA approved horse shows. The only revenue is the annual Smart Point registration fee which is recognized at a point in time when received. Children enrolled compete for points which pay the youth based on the points earned in each competition year. Smart Points registration allows riders to compete for this money. The annual purse is generated from show sanction fees (fees paid to NSBA for each competing youth) collected throughout the competition year. These amounts are accumulated and recorded as a liability on the statements of financial position.

Merchandise Sales are primarily duplicate trophies sold throughout the year and are recognized at a point in time when the sales transaction occurs.

The Year-End Banquet is an annual event that celebrates the success of our previous year's high point champions and Hall of Fame inductees, and the revenue is recognized at a point in time when the banquet occurs.

Miscellaneous revenue is all recognized at a point in time with the exception of NOSHA membership fees which totaled \$5,090 for the year ended December 31, 2021.

For the years ended December 31, 2021 and 2020, revenue recognized at a point in time totaled \$5,048,522 and \$3,886,297 and revenue recognized over time totaled \$1,387,757 and \$737,243, respectively.

The Foundation's revenue all results from either contributions or a special event online auction that occurs leading up to and during the World Show. Contribution revenue is not subject to the revenue recognition standards under 606. The online auction revenues are recognized when the auction is completed and the winners pay for the items that they were successful in purchasing from their winning bids, thus this revenue is recognized at a point in time.

The adoption of ASC 606 did not have a significant impact on the Association's consolidated financial position, results of activities, or cash flows.

ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the consolidated statements of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the consolidated statements of financial position. The reporting of lease-related expenses in the consolidated statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Association's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows. The Association is currently gathering the appropriate information to implement the standard in a timely manner.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

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 date of the consolidated statements of financial position, are comprised of the following at December 31:

	2021	2020
Cash and Cash Equivalents	\$ 3,681,811	\$ 1,879,561
Certificates of Deposit.....	1,383,853	1,376,265
Accounts Receivable.....	23,621	25,405
Less: Donor Restricted Net Assets.....	(449,805)	(238,044)
Less: Board-Designated Net Assets	(153,539)	(352,851)
	<u>\$ 4,485,941</u>	<u>\$ 2,690,336</u>

Although the Association does not intend to spend the board-designated net assets, these amounts could be made available if necessary. Assuming revenues are fairly consistent in subsequent years, the Association will have sufficient resources to meet its future expenses.

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

NOTE 3—DEFERRED REVENUE

Deferred revenue (current and long-term) of NSBA at December 31 consisted of the following:

	2021	2020
BCF Enrollment.....	\$ 783,598	\$ 700,417
Memberships	535,168	357,640
Stallion Incentive Fund	193,583	171,660
Color BCF Enrollment	342,945	290,500
Magazine	3,396	-
Other	4,030	-
	<u>\$ 1,862,720</u>	<u>\$ 1,520,217</u>

NOTE 4—NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets of the Foundation at December 31 are as follows:

	2021	2020
Crisis Fund	\$ 14,299	\$ 15,657
Youth Scholarship/Education Fund.....	254,672	106,669
Equestrians with Disabilities.....	28,014	1,840
Heroes on Horses	142,493	104,700
Animal Welfare	10,327	9,178
	<u>\$ 449,805</u>	<u>\$ 238,044</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4—NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Amounts released from restrictions inclusive of administrative fees for the year ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Crisis Fund.....\$	44,086	\$ 29,460
Youth Scholarship/Education Fund.....	116,783	37,982
Equestrians with Disabilities.....	48,911	55,715
Heroes on Horses	35,342	18,479
Animal Welfare	1,936	491
	<u>\$ 247,058</u>	<u>\$ 142,127</u>

NOTE 5—PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

On April 6, 2020, National Snaffle Bit Association applied for and was awarded a Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of \$187,000. The loan accrues interest at a fixed rate of 1.00% per annum, but payments are not required to begin for ten months after the end of the loan forgiveness covered period, as defined in the SBA. The loan matures on April 15, 2022. The loan and accrued interest are forgivable up to 100% of the loan as long as the borrower uses the loans proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the PPP, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is uncollateralized and is fully guaranteed by the Federal government.

National Snaffle Bit Association used the loan amount for qualifying expenses. On October 1, 2020, the loan was fully forgiven.

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. Effective December 1, 2016, the Association renegotiated a new lease, which expired November 30, 2019. The Association and lessee were on a month-to-month basis for December 2019 and a new three-year lease, effective January 1, 2020, was signed with the same lease terms. 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 and the lessee shall also reimburse the lessor 25% of snow removal and landscaping maintenance. These reimbursements are netted against occupancy expense on the consolidated statements of activities. Rental income was \$32,460 for 2021 and \$24,345 for 2020. During the year ended December 31, 2020, Signs Now Gurnee, Inc. was provided an abatement of three months of rent.

Future minimum amounts expected to be collected under the lease agreement is \$32,460 for the year ending December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7—OPERATING LEASE

In June 2017, the Association entered into a 39-month copier lease with monthly payments of \$623. Prior to the expiration of this lease in May 2020, the Association entered into a 48-month copier lease with monthly payments of \$878. Additionally, in May 2020, the Association entered into a 63-month postage machine lease with monthly payments of \$188. Rent expense for these leases and other short-term rental agreements, including for tents and a stage for the World Show, totaled \$136,819 for 2021 and \$74,925 for 2020.

Future minimum lease payments are as follows:

Years Ending December 31	
2022	\$ 12,795
2023	12,795
2024	5,772
2025	<u>1,318</u>
Total	<u>\$ 32,680</u>

NOTE 8—RETIREMENT PLAN

In August 2021, NSBA established a 401(k) retirement plan for all eligible employees once they have completed 12 months of service, or 1000 hours in 12 months service by the next plan entry date. NSBA will match 100% of the employee salary deferrals up to 3%. Employees that are eligible are immediately 100% invested. NSBA's contribution to the plan was \$8,292 for 2021 and \$-0- for 2020.

NOTE 9—CONCENTRATIONS OF CREDIT RISK

The Association maintains cash and cash equivalents in bank deposit accounts and certificates of deposit, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk on cash and cash equivalents and certificates of deposit as they are deposited in quality financial institutions.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because a significant portion of the outstanding amounts are due from program participants supportive of the Association's mission.

NOTE 10—PRIOR YEAR RESTATEMENT AND RECLASSIFICATIONS

NSBA has a program called Smart Points and collects funds from youth members that are to be re-distributed, based upon a point-allocation system, back to the member upon reaching 19 years old. These collections are not for the benefit of NSBA, but for the benefit of its members. Through December 31, 2019, all funds collected and related payouts had been recorded as revenue and expense, respectively, in the consolidated statement of activities which resulted in an overstatement of net assets – without donor restrictions and a corresponding understatement of liabilities of \$125,133 at December 31, 2019.

Similarly, during the year ended December 31, 2020, all funds collected and related payouts had been recorded in the consolidated statement of activities resulting in an overstatement of total revenues without donor restrictions and a corresponding understatement of liabilities of \$39,536.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10—PRIOR YEAR RESTATEMENT AND RECLASSIFICATIONS (Continued)

Therefore, based on the circumstances described in the two preceding paragraphs, as of December 31, 2020, there was an overstatement of net assets – without donor restrictions and a corresponding understatement of liabilities of \$164,669.

Finally, anticipated payouts at December 31, 2020 were recorded as net assets without donor restrictions – board-designated when they should not have been recorded as board designated net assets as the payouts are not for the benefit of the Association, but for the benefit of their members. Therefore, net assets without donor restrictions – board designated were overstated by \$46,119.

These amounts have been restated as follows in the consolidated statements of activities for the year ended December 31, 2020 as follows:

	<u>As Previously Stated</u>	<u>As Restated</u>
Total Revenues Without Donor Restrictions.....	\$ 5,149,494	\$ 5,109,958
Net Assets, Beginning – Without Donor Restrictions	1,675,314	1,550,181
Net Assets, Ending - Without Donor Restrictions	2,188,663	2,023,994

These changes also resulted in the changes as follows in the consolidated statements of financial position as of December 31, 2020:

Smart Point Liability - Current	\$ -	\$ 43,643
Smart Point Liability	-	121,026
Net Assets Without Donor Restrictions – Board-Designated	398,970	352,851
Net Assets Without Donor Restrictions - Undesignated	1,789,693	1,671,143

Additionally, certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 11—SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 5, 2022, the date which the consolidated financial statements were available for issue. The COVID-19 pandemic has impacted and could further impact the Association’s operations. The extent to which the COVID-19 pandemic impacts the Association, the results of its activities and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Association’s members, and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Association may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Association cannot reasonably estimate the impact at this time.

Except for the effects of the pandemic and the modification of its administrative fee percentage on contributions with donor restrictions as disclosed in Note 1, there were no other subsequent events which require disclosure.