

**NATIONAL SNAFFLE BIT ASSOCIATION
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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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, 2015 and 2014, and the related consolidated statements of activities 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. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Warady + Davis LLP

May 9, 2016

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 815,614	\$ 666,005
Certificates of Deposit	396,277	—
Accounts Receivable	24,179	405
Prepaid Expenses	29,651	33,545
Total Current Assets	<u>1,265,721</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>532,648</u>
Less Accumulated Depreciation and Amortization	<u>174,092</u>	<u>154,587</u>
	<u>358,556</u>	<u>378,061</u>
OTHER ASSETS		
Certificates of Deposit	—	395,056
Long-Term Prepaid Expenses	730	13,919
	<u>730</u>	<u>408,975</u>
	<u>\$ 1,625,007</u>	<u>\$ 1,486,991</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 19,050	\$ 8,602
Accrued Liability	53,582	—
Deferred Revenue	302,676	—
Total Current Liabilities	<u>375,308</u>	<u>8,602</u>
LONG-TERM LIABILITIES		
Note Payable, net of Current Maturities	124,006	144,264
Accrued Liability	53,583	—
Deferred Revenue	550,446	810,247
Total Long-Term Liabilities	<u>728,035</u>	<u>954,511</u>
Total Liabilities	<u>1,103,343</u>	<u>963,113</u>
NET ASSETS		
Unrestricted Net Assets		
Board-Designated	283,390	293,176
Undesignated	149,891	148,057
	<u>433,281</u>	<u>441,233</u>
Temporarily Restricted Net Assets	88,383	82,645
	<u>521,664</u>	<u>523,878</u>
	<u>\$ 1,625,007</u>	<u>\$ 1,486,991</u>

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
BCF/World Show	\$ 1,750,224	\$ —	\$ 1,750,224
Membership	300,052	—	300,052
Credit Card Surcharges	56,768	—	56,768
Merchandise Sales	25,295	—	25,295
Stallion Incentive Fund	92,338	—	92,338
Yearling Sales	87,972	—	87,972
Judges Program	9,500	—	9,500
Licensing Program	91,580	—	91,580
Magazines	471,427	—	471,427
Smart Point	5,400	—	5,400
Riders Cup	40,482	—	40,482
Trainer Sales	35,550	—	35,550
Other Shows	193,947	—	193,947
Administrative Charges	27,116	—	27,116
Year End Award Banquet	15,190	—	15,190
Rental Income	30,600	—	30,600
Interest Income	1,583	—	1,583
Special Event			
Auction	19,726	—	19,726
Contributions	36,426	76,413	112,839
Release of Restrictions	70,675	(70,675)	—
Total Revenues	<u>3,361,851</u>	<u>5,738</u>	<u>3,367,589</u>
EXPENSES			
Payroll	502,770	—	502,770
Payroll Taxes	37,457	—	37,457
Employee Benefits	59,095	—	59,095
Advertising	5,126	—	5,126
Arena Rental	196,591	—	196,591
Bank Charges and Credit Card Fees	57,256	—	57,256
Other Show Expense	42,661	—	42,661
Awards	138,153	—	138,153
Meetings	7,845	—	7,845
Computer Expense	22,190	—	22,190
Outside Services	139,141	—	139,141
Day Fees	188,332	—	188,332
Depreciation and Amortization	19,505	—	19,505
Drug Testing	27,891	—	27,891
Equipment	2,075	—	2,075
Equipment Rental	14,099	—	14,099
Licenses, Permits, and Filing Fees	1,713	—	1,713
Insurance Expense	10,812	—	10,812
Interest Expense	7,576	—	7,576
Travel, Meals and Lodging	212,838	—	212,838
Newsletter	1,605	—	1,605
Office Expenses and Supplies	22,891	—	22,891
Payouts	937,614	—	937,614
Plaques and Trophies	64,644	—	64,644
Postage and Shipping	113,338	—	113,338
Printing	393,489	—	393,489
Sponsorships	30,000	—	30,000
Stall/Entry Fees	11,800	—	11,800
Real Estate Taxes	11,611	—	11,611
Telephone	8,382	—	8,382
Occupancy	10,983	—	10,983
Year-End Award Banquet	42,085	—	42,085
Website and Internet	2,484	—	2,484
Professional Fees	19,750	—	19,750
Scholarships	5,000	—	5,000
Other	1,001	—	1,001
Total Expenses	<u>3,369,803</u>	<u>—</u>	<u>3,369,803</u>
CHANGE IN NET ASSETS	(7,952)	5,738	(2,214)
Net Assets, Beginning	441,233	82,645	523,878
NET ASSETS, ENDING	<u>\$ 433,281</u>	<u>\$ 88,383</u>	<u>\$ 521,664</u>

See accompanying notes and accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

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 Sale	182,802	—	182,802
Judges Program	13,650	—	13,650
Licensing Program	89,720	—	89,720
Magazine	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			
Auctions	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 and Amortization	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
Payout	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	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 CASH FLOWS

For the Years Ended December 31	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (2,214)</u>	<u>\$ (261,620)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	19,505	18,882
Accounts Receivable	(23,774)	(405)
Prepaid Expenses	17,083	(33,344)
Accrued Liability	107,165	—
Accrued Vacation Liability	—	(15,654)
Deferred Revenue	<u>42,875</u>	<u>28,322</u>
Total Adjustments	<u>162,854</u>	<u>(2,199)</u>
Net Cash Provided (Used) by Operating Activities	<u>160,640</u>	<u>(263,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificate of Deposit	—	(98,057)
Maturities of Certificates of Deposit	—	98,057
Reinvested Interest on Certificates of Deposits	(1,221)	(869)
Purchases of Property and Equipment	<u>—</u>	<u>(7,244)</u>
Net Cash Used by Investing Activities	<u>(1,221)</u>	<u>(8,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	51,333	—
Principal Payments on Note Payable	<u>(61,143)</u>	<u>(8,031)</u>
Net Cash Used by Financing Activities	<u>(9,810)</u>	<u>(8,031)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,609	(279,963)
Cash and Cash Equivalents, Beginning	<u>666,005</u>	<u>945,968</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 815,614</u>	<u>\$ 666,005</u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Cash paid for:		
Interest	<u>\$ 7,576</u>	<u>\$ 8,769</u>
Noncash Financing Activities:		
Note Payable Refinanced	<u>\$ 148,667</u>	<u>\$ —</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

In 2015, the Association changed their method of preparing its financial statements to the accrual basis of accounting. Previously, the Association prepared its financial statements using the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The effect of this change in basis of accounting is not deemed to be significant on the prior year and therefore the 2014 financial statements have not been restated.

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. The allocation was reduced to 16.7% for the Equestrians with Disabilities program for 2015 only. 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, 2015 or 2014.

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 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 debt instruments 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 in 2016. 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 .3 % at December 31, 2015.

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.

INVENTORY

Inventory consisted of non-cash donated items to the Foundation's Clothes Closet. 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. Sales of merchandise were 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—DEFERRED REVENUE

Deferred revenue at December 31 consisted of the following:

	2015	2014
BCF Enrollment	\$ 499,503	\$ 500,974
Memberships.....	217,549	188,795
Stallion Incentive Fund.....	113,570	102,978
Trainer Sales.....	22,500	17,500
	\$ 853,122	\$ 810,247

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. On July 10, 2015, the Association refinanced the loan in addition to borrowing an additional \$51,333 for operational purposes. Unpaid principal plus accrued interest is due July 10, 2020. Monthly payments, including principal and interest at 3.7%, are \$2,002. The amount outstanding was \$143,056 at December 31, 2015 and \$152,866 at December 31, 2014.

Principal repayments due in the next five years are:

Year Ending December 31,		
2016	\$	19,050
2017		19,767
2018		20,510
2019		21,282
2020		62,447
		\$ 143,056

NOTE 4—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are as follows:

	2015	2014
Crisis Fund.....	\$ 40,273	\$ 32,564
Youth Scholarship Fund	33,706	36,625
Equestrians with Disabilities	—	553
Heroes on Horses	7,620	5,339
Animal Welfare	6,784	7,564
	\$ 88,383	\$ 82,645

Amounts released from restriction during 2015, inclusive of administrative fees, totaled \$70,675 and represent \$3,534 for the scholarship program, \$1,473 for the Animal Welfare Fund, \$7,632 for the Crisis Fund, \$50,265 for Equestrians with Disabilities and \$7,771 for Heroes on Horses.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5—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. The lease agreement shall continue until April 30, 2017. Commencing May 1, 2014, the lessee shall pay the Association an escalating monthly fee starting at \$2,550 and ending at \$2,705. Included in base rent is lessee's portion of real estate taxes. 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. Rental income was \$30,600 for 2015 and \$25,500 for 2014.

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

Year Ending December 31, 2016	\$ 32,148
Period January 1, 2017 through April 30, 2017	<u>10,821</u>
Total.....	<u>\$ 42,969</u>

NOTE 6—OPERATING LEASE

In January, 2014, the Association entered into a 39-month copier lease agreement. Monthly payments are \$381. Rent expense for this and other short-term rental agreements totaled \$14,099 for 2015 and \$13,560 for 2014.

Future minimum lease payments are as follows:

Year Ending December 31, 2016	\$ 4,570
Period January 1, 2017 through March 31, 2017.....	<u>1,142</u>
Total.....	<u>\$ 5,712</u>

NOTE 7—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 8—FUNCTIONAL EXPENSES

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

	<u>2015</u>		<u>2014</u>	
	<u>NSBA</u>	<u>Foundation</u>	<u>NSBA</u>	<u>Foundation</u>
Program.....	\$ 2,676,412	\$ 86,893	\$ 2,538,218	\$ 80,314
Management and General	550,408	38,842	569,276	27,158
Fundraising.....	<u>—</u>	<u>17,248</u>	<u>—</u>	<u>20,098</u>
Total.....	<u>\$ 3,226,820</u>	<u>\$ 142,983</u>	<u>\$ 3,107,494</u>	<u>\$ 127,570</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—RECLASSIFICATIONS

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

NOTE 10—SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2016, 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, 2015

	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 738,932	\$ 76,682	\$ —	\$ 815,614
Certificates of Deposit	376,278	19,999	—	396,277
Accounts Receivable	24,179	—	—	24,179
Due from Affiliate	—	4,641	(4,641)	—
Prepaid Expenses	29,651	—	—	29,651
Total Current Assets	<u>1,169,040</u>	<u>101,322</u>	<u>(4,641)</u>	<u>1,265,721</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	174,092	—	—	174,092
	<u>358,556</u>	<u>—</u>	<u>—</u>	<u>358,556</u>
OTHER ASSETS				
Long-Term Prepaid Expenses	730	—	—	730
	<u>\$ 1,528,326</u>	<u>\$ 101,322</u>	<u>\$ (4,641)</u>	<u>\$ 1,625,007</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Note Payable	\$ 19,050	\$ —	\$ —	\$ 19,050
Due to Affiliate	4,641	—	(4,641)	—
Accrued Liability	53,582	—	—	53,582
Deferred Revenue	302,676	—	—	302,676
Total Current Liabilities	<u>379,949</u>	<u>—</u>	<u>(4,641)</u>	<u>375,308</u>
LONG-TERM LIABILITIES				
Note Payable, net of Current Maturities	124,006	—	—	124,006
Accrued Liability	53,583	—	—	53,583
Deferred Revenue	550,446	—	—	550,446
Total Long-Term Liabilities	<u>728,035</u>	<u>—</u>	<u>—</u>	<u>728,035</u>
Total Liabilities	<u>1,107,984</u>	<u>—</u>	<u>(4,641)</u>	<u>1,103,343</u>
NET ASSETS				
Unrestricted				
Board-Designated	283,390	—	—	283,390
Undesignated	136,952	12,939	—	149,891
	<u>420,342</u>	<u>12,939</u>	<u>—</u>	<u>433,281</u>
Temporarily Restricted				
	—	88,383	—	88,383
	<u>420,342</u>	<u>101,322</u>	<u>—</u>	<u>521,664</u>
	<u>\$ 1,528,326</u>	<u>\$ 101,322</u>	<u>\$ (4,641)</u>	<u>\$ 1,625,007</u>

See accompanying accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION (Continued)

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 Note Payable	\$ 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				
Note Payable, 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	293,176	—	—	293,176
Undesignated	119,068	28,989	—	148,057
	<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>

See accompanying accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF ACTIVITIES

For the Year Ended December 31, 2015

	National Snaffle Bit Association	Unrestricted	Temporarily Restricted	Total	Total
REVENUES					
BCF/World Show	\$ 1,750,224	\$ —	\$ —	\$ —	\$ 1,750,224
Membership	300,052	—	—	—	300,052
Credit Card Surcharges	56,768	—	—	—	56,768
Merchandise Sales	25,295	—	—	—	25,295
Stallion Incentive Fund	92,338	—	—	—	92,338
Yearling Sales	87,972	—	—	—	87,972
Judges Program	9,500	—	—	—	9,500
Licensing Program	91,580	—	—	—	91,580
Magazines	471,427	—	—	—	471,427
Smart Point	5,400	—	—	—	5,400
Riders Cup	40,482	—	—	—	40,482
Trainer Sales	35,550	—	—	—	35,550
Other Shows	193,947	—	—	—	193,947
Administrative Charges	27,116	—	—	—	27,116
Year End Award Banquet	15,190	—	—	—	15,190
Rental Income	30,600	—	—	—	30,600
Interest Income	1,477	106	—	106	1,583
Special Event - Auction	—	19,726	—	19,726	19,726
Contributions	—	36,426	76,413	112,839	112,839
Release of Restrictions	—	70,675	(70,675)	—	—
Total Revenues	3,234,918	126,933	5,738	132,671	3,367,589
EXPENSES					
Payroll	496,415	6,355	—	6,355	502,770
Payroll Taxes	37,457	—	—	—	37,457
Employee Benefits	59,095	—	—	—	59,095
Advertising	4,895	231	—	231	5,126
Arena Rental	196,591	—	—	—	196,591
Bank Charges and Credit Card Fees	57,256	—	—	—	57,256
Other Show Expense	42,661	—	—	—	42,661
Awards	136,662	1,491	—	1,491	138,153
Meetings	7,845	—	—	—	7,845
Computer Expense	22,190	—	—	—	22,190
Outside Services	88,271	50,870	—	50,870	139,141
Day Fees	188,332	—	—	—	188,332
Depreciation	19,505	—	—	—	19,505
Drug Testing	27,891	—	—	—	27,891
Equipment	2,075	—	—	—	2,075
Equipment Rental	14,099	—	—	—	14,099
Licenses, Permits, and Filing Fees	1,243	470	—	470	1,713
Insurance Expense	10,812	—	—	—	10,812
Interest Expense	7,576	—	—	—	7,576
Travel, Meals and Lodging	200,371	12,467	—	12,467	212,838
Newsletter	1,605	—	—	—	1,605
Office Expenses and Supplies	18,118	4,773	—	4,773	22,891
Payouts	937,614	—	—	—	937,614
Plaques and Trophies	64,644	—	—	—	64,644
Postage and Shipping	112,984	354	—	354	113,338
Printing	383,071	10,418	—	10,418	393,489
Sponsorships	—	30,000	—	30,000	30,000
Stall/Entry Fees	—	11,800	—	11,800	11,800
Real Estate Taxes	11,611	—	—	—	11,611
Telephone	8,153	229	—	229	8,382
Occupancy	10,983	—	—	—	10,983
Year-End Award Banquet	42,085	—	—	—	42,085
Website and Internet	2,484	—	—	—	2,484
Professional Fees	11,300	8,450	—	8,450	19,750
Scholarships	—	5,000	—	5,000	5,000
Other	926	75	—	75	1,001
Total Expenses	3,226,820	142,983	—	142,983	3,369,803
CHANGE IN NET ASSETS	8,098	(16,050)	5,738	(10,312)	(2,214)
Net Assets, Beginning	412,244	28,989	82,645	111,634	523,878
NET ASSETS, ENDING	\$ 420,342	\$ 12,939	\$ 88,383	\$ 101,322	\$ 521,664

See accompanying accountants' report.

CONSOLIDATING SCHEDULES OF ACTIVITIES (Continued)

For the Year Ended December 31, 2014

	National Snaffle Bit Association	Unrestricted	Temporarily Restricted	Total	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 Events					
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	2,851,034	159,768	(37,358)	122,410	2,973,444
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	3,107,494	127,570	—	127,570	3,235,064
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.