

Breeders Invitational
Combined Financial Statements
December 31, 2020

C O N T E N T S

	<u><i>Page(s)</i></u>
<i>Independent Accountants' Review Report</i>	1 - 2
<i>Combined Financial Statements</i>	
Combined statement of financial position	3
Combined statement of activities	4
Combined statement of functional expenses	5
Combined statement of cash flows	6
Notes to combined financial statements	7 - 12



Independent Accountants' Review Report

Board of Directors
Breeders Invitational
Bakersfield, California

We have reviewed the accompanying combined financial statements of Breeders Invitational (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 review, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

**BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation**



Bakersfield, California
March 4, 2021

Breeders Invitational
Combined Statement of Financial Position
December 31, 2020
See Independent Accountants' Review Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 283,621
Accounts receivable	232,528
Deposits and prepaid expenses	<u>800</u>
	<u>516,949</u>

<i>Investments</i> , at fair value	<u>823,961</u>
	<u>\$ 1,340,910</u>

LIABILITIES AND NET ASSETS

Liabilities

Other current liabilities	<u>\$ 7,266</u>
---------------------------	-----------------

Net Assets

Without donor restrictions	<u>1,333,644</u>
	<u>\$ 1,340,910</u>

See Notes to Combined Financial Statements.

Breeders Invitational

*Combined Statement of Activities
For the Year Ended December 31, 2020
See Independent Accountants' Review Report*

Change in net assets without donor restrictions:

Revenues:

Stallion subscriptions	\$ 398,797
Sale incentive income	98,450
Net realized and unrealized gain on investments	16,231
Dividend and interest income	16,061
Other income	1,630

Total revenues without donor restrictions 531,169

Expenses:

Management and general	147,810
Breeders Invitational Derby	59,447

Total expenses 207,257

Increase in net assets without donor restrictions 323,912

Net assets, beginning of the year 1,009,732

Net assets, end of the year \$ 1,333,644

See Notes to Combined Financial Statements.

Breeders Invitational

*Combined Statement of Functional Expenses
For the Year Ended December 31, 2020
See Independent Accountants' Review Report*

	<i>Management and General</i>	<i>Breeders Invitational Derby</i>	<i>Total</i>
Advertising	\$ -	\$ 9,904	\$ 9,904
Arena grounds	-	15,134	15,134
Awards	-	6,150	6,150
Bank fees	(75)	-	(75)
Bad debt	-	11,209	11,209
Board meetings	1,630	-	1,630
Computer	5,830	-	5,830
Dues and subscriptions	201	-	201
Insurance	-	125	125
Miscellaneous	5,486	2,794	8,280
Office expense	2,671	-	2,671
Outside services	107,500	-	107,500
Postage	1,974	-	1,974
Professional fees	8,200	-	8,200
Promotional expense	-	12,649	12,649
Rent	9,600	-	9,600
Show expense	-	1,482	1,482
Telephone	2,762	-	2,762
Travel	1,170	-	1,170
Utilities	861	-	861
	<u>\$ 147,810</u>	<u>\$ 59,447</u>	<u>\$ 207,257</u>

See Notes to Combined Financial Statements.

Breeders Invitational

*Combined Statement of Cash Flows
For the Year Ended December 31, 2020
See Independent Accountants' Review Report*

<i>Cash flows from operating activities:</i>	
Change in net assets	\$ 323,912
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>	
Net realized and unrealized gain on investments	(16,231)
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable	(23,203)
Deposits and prepaid expenses	3,981
Other current liabilities	1,514
	<hr/>
Net cash provided by operating activities	289,973
	<hr/>
<i>Cash flows from investing activities:</i>	
Net purchase of investments	(147,392)
	<hr/>
<i>Net increase in cash and cash equivalents</i>	142,581
<i>Cash and cash equivalents at beginning of year</i>	141,040
	<hr/>
<i>Cash and cash equivalents at end of year</i>	\$ 283,621
	<hr/> <hr/>

See Notes to Combined Financial Statements.

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

Note 1. Description of Organization

Breeders Invitational (the Organization) is a nonprofit membership organization formed to promote and enhance the cutting horse industry by providing an annual showcase cutting horse competition.

The Organization consists of Breeders Invitational, which is a membership made up of stallion owners, and the Breeders Invitational Derby, which is an annual cutting horse event held during early June of each year. The Breeders Invitational Derby is held in Tulsa, Oklahoma.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of international Concerns" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and forced closure for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization. Additionally, the Organization has had a reduction in derby slots revenue and donated services due to the cancelation of their annual cutting horse event held in early June.

Note 2. Summary of Significant Accounting Policies

Principles of combination:

The combined financial statements include the accounts of Breeders Invitational and Breeders Invitational Derby. Inter-company accounts have been eliminated.

Basis of accounting:

Assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

Income taxes:

The Organization is tax-exempt from federal and state income taxes under Internal Revenue Code section 501(c)(5) and similar state provisions. The Organization is classified as a nonprofit organization and is not classified as a private foundation. Annual information returns filed with Federal and state governments use the same accounting methods as those for financial reporting. The Organization is no longer subject to federal or state government tax authorities' examinations for the years before 2017 and 2016, respectively.

Basis of presentation:

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which requires the Organization to report

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

During the year ended December 31, 2020, net assets of the Organization consisted of \$1,333,644 of net assets without donor restrictions which were available for the general/management and derby activities of the Organization.

Use of estimates:

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and cash equivalents:

For purposes of the combined statement of cash flows, the Organization considers all cash on hand, amounts deposited with banks and highly liquid debt instruments purchased with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents are concentrated in high quality financial institutions at December 31, 2020.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has concluded that an allowance is not necessary at December 31, 2020. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debt expense.

Investments:

Investments are reported at their fair values in the combined statement of financial position and changes in fair value are reported as unrealized gains or losses in the combined statement of activities. Donated investments are reported by the Organization at fair value on the date of donation.

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the combined statement of activities in the period in which securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the combined statement of financial position.

Revenue:

Stallion subscriptions

Each member of the Organization may subscribe one or more stallions and pay for each breeding season a fee of \$1,250 per stallion per year, due and payable by October 15th of the year prior to breeding, plus an additional fee of \$125 for each mare bred in excess of ten up to and including eighty mares, due and payable by December 1st of the breeding year.

Stallion subscriptions represent fees for mares bred during the current breeding season, and are due by December 1st of each year. Revenue is recognized as performance obligations are satisfied as mares are bred and billed.

Derby slots

Derby slots represent entry fees into the Breeders Invitational Derby (the Event). Revenue is recognized as performance obligations are satisfied when horses enter into the event and fees are received. No event took place in the current year.

Donated services:

No amounts have been included in the combined financial statements for donated volunteer services since no objective basis is available to measure the value of such services.

Advertising:

The Organization expenses advertising costs as they are incurred. Advertising expense was \$9,904 for the year ended December 31, 2020.

Methods used for allocation of expense from management and general:

Directly identifiable expenses are charged to Breeders Invitational Derby on the combined statement of functional expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

Recently adopted accounting pronouncements:

On September 1, 2019, the Organization adopted the new accounting standard and its related amendments, ASU 2014-09 Revenue from Contracts with Customers. This standard provides guidance for the recognition, measurement and disclosure of revenue from contracts with customers and supersedes previous revenue recognition guidance under U.S. GAAP. The Organization has applied this standard using the full retrospective method and concluded that its adoption did not have any impact on the Organization's financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instrument-Overall (Subtopic 825-10); Recognition and Measurement of Financial Assets and Financial Liabilities. The primary objective of the Update is to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The Update is effective for nonprofit organizations' annual financial statements issued for years beginning after December 15, 2018. The Organization has applied this standard and concluded that its adoption did not have any impact on the Organization's financial statements

Note 3. Cash and Cash Equivalents

Cash and cash equivalents included the following at December 31, 2020:

Working checking account	\$	161,236
Money market account		122,385
	\$	<u>283,621</u>

Note 4. Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2020:

Cash and cash equivalents	\$	283,621
Accounts receivable		232,528
Investments		823,961
Deposits and prepaid expenses		800
	\$	<u>1,340,910</u>

The Organization manages its liquidity using the following guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. All of the Organization's financial assets are available within one year of the combined statement of financial position date to meet cash needs for general expenditures.

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

Note 5. Investments

Investments consisted of the following at December 31, 2020:

	<u>Cost</u>	<u>Market Value</u>
Government bonds	\$ 199,764	\$ 205,609
Preferred stock	322,500	338,352
Mutual funds	280,017	280,000
	<u>\$ 802,281</u>	<u>\$ 823,961</u>

Note 6. Fair Value of Financial Instruments

In accordance with FASB guidance, fair value is determined as the price that would be received in exchange for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The standard establishes three levels of input that may be used to measure fair value:

Level 1 – Values are based on quoted market prices in active markets for identical assets or liabilities.

Level 2 – Values are based on quoted market prices for similar assets or liabilities, quoted market prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Level 3 – Values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input that is unobservable. Determination of the fair value requires significant judgment or estimation.

The following is a description of the valuation methodologies used for assets measured at fair value.

Governmental bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Preferred stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Registered investment companies (mutual funds): Valued at the net asset value of shares held by the Organization at year end.

Breeders Invitational

Notes to Combined Financial Statements

December 31, 2020

See Independent Accountants' Review Report

As of December 31, 2020, investments measured and recorded at fair value presented on the Organization's combined statement of financial position, consisted of the following types of instruments:

	<i>Fair Value Measurements Using:</i>			
	<u><i>Fair Value</i></u>	<u><i>Level 1</i></u>	<u><i>Level 2</i></u>	<u><i>Level 3</i></u>
Government bonds	\$ 205,609	\$ 205,609	\$ -	\$ -
Preferred stock	338,352	338,352	-	-
Mutual funds	280,000	280,000	-	-
	<u>\$ 823,961</u>	<u>\$ 823,961</u>	<u>\$ -</u>	<u>\$ -</u>

Investments held during the year ended December 31, 2020 had investment income as follows:

Dividend and interest income	<u>\$ 16,061</u>
Realized gain on sale of investments	<u>\$ 141</u>
Unrealized gain on investments	<u>\$ 16,090</u>

Note 7. Concentrations

The total accounts receivable from one customer at December 31, 2020 amounted to \$13,518 or 10% of the total accounts receivable balance.

Note 8. Commitments

Office Lease:

The Organization leases an office under an operating lease on a month-to-month basis. Total rental expense for the operating lease was \$9,600 for the year ended December 31, 2020.

Note 9. Related Party Transactions

As approved by the Board of Directors, during the year ended December 31, 2020, the Organization made payments of \$107,500 to a company owned by an officer of the Organization for management services performed.

Note 10. Subsequent Events

The Organization has evaluated events and transactions subsequent to December 31, 2020 through, March 4, 2021, the date the combined financial statements were available to be issued, noting no significant items requiring further discussion.