

Breeders Invitational
Combined Financial Statements
December 31, 2023

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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, 2023, 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.

We are required to be independent of Breeders Invitational and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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, LLP**



Bakersfield, California
April 3, 2024

Breeders Invitational

*Combined Statement of Financial Position
December 31, 2023
See Independent Accountants' Review Report*

ASSETS

Current Assets

Cash and cash equivalents	\$ 367,811
Accounts receivable	117,551
Deposits and prepaid expenses	3,800
	<u>489,162</u>

Investments, at fair value

313,643

\$ 802,805

LIABILITIES AND NET ASSETS

Liabilities

Other current liabilities	\$ 5,827
	<u>5,827</u>

Net Assets

Without donor restrictions	<u>796,978</u>
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\$ 802,805

See Notes to Combined Financial Statements.

Breeders Invitational

*Combined Statement of Activities
For the Year Ended December 31, 2023
See Independent Accountants' Review Report*

Revenues:

Derby slot income	\$ 1,335,237
Stallion subscriptions	460,759
Show income	282,466
Sale incentive income	114,400
Sponsorship income	80,000
Net realized and unrealized gain on investments	20,112
Dividend and interest income	31,121
Western retail exhibit	9,460

Total revenues without donor restrictions 2,333,555

Expenses:

Management and general	214,348
Breeders Invitational Derby	2,195,144

Total expenses 2,409,492

Decrease in net assets without donor restrictions (75,937)

Net assets, beginning of the year 872,915

Net assets, end of the year \$ 796,978

See Notes to Combined Financial Statements.

Breeders Invitational

*Combined Statement of Functional Expenses
For the Year Ended December 31, 2023
See Independent Accountants' Review Report*

	<i>Management and General</i>	<i>Breeders Invitational Derby</i>	<i>Total</i>
Advertising	\$ -	\$ 9,537	\$ 9,537
Arena grounds	-	203,147	203,147
Awards	-	65,600	65,600
Bank fees	997	(88)	909
Bad debt	-	12,700	12,700
Board meetings	2,687	-	2,687
Cattle and livestock expense	-	278,367	278,367
Computer	5,971	-	5,971
Dues and subscriptions	272	-	272
Insurance	2,319	527	2,846
Judges	-	91,697	91,697
Miscellaneous	35,444	9,153	44,597
NCHA fees	-	25,779	25,779
Office expense	1,979	7,176	9,155
Outside services	107,500	-	107,500
Payouts	-	1,393,833	1,393,833
Postage	1,680	-	1,680
Professional fees	8,505	-	8,505
Promotional expense	31,067	-	31,067
Rent	9,600	3,377	12,977
Show expense	-	13,822	13,822
Staffing	-	79,540	79,540
Supplies	-	585	585
Telephone	3,831	-	3,831
Travel	1,694	392	2,086
Utilities	802	-	802
	<u>\$ 214,348</u>	<u>\$ 2,195,144</u>	<u>\$ 2,409,492</u>

See Notes to Combined Financial Statements.

Breeders Invitational

***Combined Statement of Cash Flows
For the Year Ended December 31, 2023
See Independent Accountants' Review Report***

<i>Cash flows from operating activities:</i>	
Decrease in net assets	\$ (75,937)
<i>Adjustments to reconcile decrease in net assets to net cash provided by operating activities:</i>	
Net realized and unrealized gain on investments	(20,112)
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable	96,703
Deposits and prepaid expenses	9,294
Other current liabilities	<u>1,044</u>
Net cash provided by operating activities	<u>10,992</u>
<i>Cash flows from investing activities:</i>	
Net sale of investments	<u>114,833</u>
Net cash provided by investing activities	<u>114,833</u>
<i>Net increase in cash and cash equivalents</i>	125,825
<i>Cash and cash equivalents at beginning of year</i>	<u>241,986</u>
<i>Cash and cash equivalents at end of year</i>	<u><u>\$ 367,811</u></u>

See Notes to Combined Financial Statements.

Breeders Invitational
Notes to Combined Financial Statements
December 31, 2023
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.

Note 2. Summary of Significant Accounting Policies

Principles of combination:

The combined financial statements include the accounts of Breeders Invitational and Breeders Invitational Derby. Intercompany transaction and balances 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 2020 and 2019, 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 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, 2023, net assets of the Organization consisted of \$796,978 of net assets without donor restrictions which were available for the general/management and derby activities of the Organization.

Breeders Invitational
Notes to Combined Financial Statements
December 31, 2023
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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, 2023, in excess of related insurance.

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, 2023. 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.

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.

Breeders Invitational
Notes to Combined Financial Statements
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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.

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 \$9,537 for the year ended December 31, 2023.

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.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents included the following at December 31, 2023:

Working checking account	\$ 342,082
Money market account	25,729
	<u>\$ 367,811</u>

Note 4. Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2023:

Cash and cash equivalents	\$ 367,811
Accounts receivable	117,551
Investments	313,643
Deposits and prepaid expenses	3,800
	<u>\$ 802,805</u>

Breeders Invitational
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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.

Note 5. Investments

Investments consisted of the following at December 31, 2023:

	<i>Cost</i>	<i>Market Value</i>
Preferred stock	\$ 423,800	\$ 313,643

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 methodology used for assets measured at fair value.

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

As of December 31, 2023, 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</i>		
	<i>Measurements Using:</i>		
<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Preferred stock	\$ 313,643	\$ 313,643	\$ -

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Investments held during the year ended December 31, 2023 had investment income as follows:

Dividend and interest income	<u>\$ 31,121</u>
Net realized and unrealized gain on investments	<u>\$ 20,112</u>

Note 7. Concentrations

As of December 31, 2023 receivables from three customers represented 22%, 21% and 11% of the total accounts receivable balance, respectively.

Note 8. 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, 2023.

Note 9. Related Party Transactions

As approved by the Board of Directors, during the year ended December 31, 2023, 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, 2023 through April 3, 2024, the date the combined financial statements were available to be issued, noting no significant items requiring further discussion.