

**NATIONAL SNAFFLE BIT
ASSOCIATION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS**

DECEMBER 31, 2016

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE (Georgia and Illinois not-for-profit corporations, respectively), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, 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. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Warady & Davis LLP

March 6, 2017

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,113,314	\$ 815,614
Certificates of Deposit	—	396,277
Accounts Receivable	—	24,179
Prepaid Expenses	17,368	29,651
Total Current Assets	<u>1,130,682</u>	<u>1,265,721</u>
PROPERTY AND EQUIPMENT		
Land	36,397	36,397
Building and Building Improvements	336,181	327,570
Office and Computer Equipment	66,607	61,448
Computer Software	63,014	49,069
Vehicles	6,662	6,662
Furniture and Fixtures	55,074	51,502
	<u>563,935</u>	<u>532,648</u>
Less Accumulated Depreciation and Amortization	<u>195,475</u>	<u>174,092</u>
	<u>368,460</u>	<u>358,556</u>
OTHER ASSETS		
Certificates of Deposit	397,488	—
Long-Term Prepaid Expenses	—	730
	<u>\$ 1,896,630</u>	<u>\$ 1,625,007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 20,706	\$ 19,050
Accrued Liabilities	126,851	53,582
Deferred Revenue	312,315	302,676
Security Deposit	2,550	—
Total Current Liabilities	<u>462,422</u>	<u>375,308</u>
LONG-TERM LIABILITIES		
Note Payable, net of Current Maturities	78,237	124,006
Accrued Liability	51,103	53,583
Deferred Revenue	611,584	550,446
Total Long-Term Liabilities	<u>740,924</u>	<u>728,035</u>
Total Liabilities	<u>1,203,346</u>	<u>1,103,343</u>
NET ASSETS		
Unrestricted Net Assets		
Board-Designated	246,145	283,390
Undesignated	323,418	149,891
	<u>569,563</u>	<u>433,281</u>
Temporarily Restricted Net Assets	123,721	88,383
	<u>693,284</u>	<u>521,664</u>
	<u>\$ 1,896,630</u>	<u>\$ 1,625,007</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES			
BCF/World Show	\$ 1,929,526	\$ —	\$ 1,929,526
Membership	349,214	—	349,214
Credit Card Surcharges	65,131	—	65,131
Merchandise Sales	19,592	—	19,592
Stallion Incentive Fund	128,981	—	128,981
Yearling Sales	96,887	—	96,887
Judges Program	16,900	—	16,900
Licensing Program	109,950	—	109,950
Magazines	420,197	—	420,197
Smart Point	40,679	—	40,679
Riders Cup	31,335	—	31,335
Trainer Sales	33,300	—	33,300
Other Shows	143,495	—	143,495
Other Revenue	117,244	—	117,244
Year End Award Banquet	11,850	—	11,850
Rental Income	29,521	—	29,521
Interest Income	1,579	—	1,579
Special Event			
Auction, net of Direct Expenses of \$19,951	40,694	—	40,694
Contributions	5,740	150,529	156,269
Release of Restrictions	115,191	(115,191)	—
Total Revenues	<u>3,707,006</u>	<u>35,338</u>	<u>3,742,344</u>
EXPENSES			
Payroll	564,148	—	564,148
Payroll Taxes	41,105	—	41,105
Employee Benefits	79,597	—	79,597
Advertising	4,390	—	4,390
Arena Rental	208,956	—	208,956
Bank Charges and Credit Card Fees	57,084	—	57,084
Other Show Expense	50,737	—	50,737
Awards	175,155	—	175,155
Meetings	20,512	—	20,512
Computer Expense	24,654	—	24,654
Outside Services	142,848	—	142,848
Day Fees	212,982	—	212,982
Depreciation and Amortization	21,383	—	21,383
Drug Testing	41,655	—	41,655
Equipment	7,578	—	7,578
Equipment Rental	24,433	—	24,433
Licenses, Permits, and Filing Fees	4,287	—	4,287
Insurance Expense	10,924	—	10,924
Interest Expense	4,995	—	4,995
Travel, Meals and Lodging	239,598	—	239,598
Newsletter	1,828	—	1,828
Office Expenses and Supplies	31,735	—	31,735
Payouts	924,245	—	924,245
Plaques and Trophies	105,860	—	105,860
Postage and Shipping	93,628	—	93,628
Printing	314,361	—	314,361
Sponsorships	30,000	—	30,000
Stall/Entry Fees	10,130	—	10,130
Real Estate Taxes	11,801	—	11,801
Telephone	8,947	—	8,947
Occupancy	18,310	—	18,310
Year-End Award Banquet	33,734	—	33,734
Website and Internet	2,496	—	2,496
Professional Fees	17,652	—	17,652
Scholarships	2,000	—	2,000
Financial Assistance	22,000	—	22,000
Other	4,976	—	4,976
Total Expenses	<u>3,570,724</u>	<u>—</u>	<u>3,570,724</u>
CHANGE IN NET ASSETS	136,282	35,338	171,620
Net Assets, Beginning	433,281	88,383	521,664
NET ASSETS, ENDING	<u>\$ 569,563</u>	<u>\$ 123,721</u>	<u>\$ 693,284</u>

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
BCF/World Show	\$ 1,750,189	\$ —	\$ 1,750,189
Membership	300,052	—	300,052
Credit Card Surcharges	56,768	—	56,768
Merchandise Sales	25,295	—	25,295
Stallion Incentive Fund	120,797	—	120,797
Yearling Sale	87,972	—	87,972
Judges Program	9,500	—	9,500
Licensing Program	91,580	—	91,580
Magazines	471,427	—	471,427
Smart Point	38,852	—	38,852
Riders Cup	40,482	—	40,482
Trainer Sales	35,550	—	35,550
Other Shows	123,120	—	123,120
Other Revenue	36,067	—	36,067
Year-End Award Banquet	15,190	—	15,190
Rental Income	30,600	—	30,600
Interest Income	1,583	—	1,583
Special Event			
Auctions	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	182,982	—	182,982
Depreciation and Amortization	19,505	—	19,505
Drug Testing	27,891	—	27,891
Equipment	2,075	—	2,075
Equipment Rental	19,449	—	19,449
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	2,000	—	2,000
Financial Assistance	3,000	—	3,000
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 CASH FLOWS

For the Years Ended December 31	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 171,620	\$ (2,214)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	21,383	19,505
Accounts Receivable	24,179	(23,774)
Prepaid Expenses	13,013	17,083
Accrued Liabilities	70,789	107,165
Deferred Revenue	70,777	42,875
Security Deposit	2,550	—
	202,691	162,854
Total Adjustments		
Net Cash Provided by Operating Activities	374,311	160,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificate of Deposit	(397,054)	—
Maturities of Certificates of Deposit	397,054	—
Reinvested Interest on Certificates of Deposits	(1,211)	(1,221)
Purchases of Property and Equipment	(31,287)	—
	(32,498)	(1,221)
Net Cash Used by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	—	51,333
Principal Payments on Note Payable	(44,113)	(61,143)
	(44,113)	(9,810)
Net Cash Used by Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	297,700	149,609
Cash and Cash Equivalents, Beginning	815,614	666,005
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,113,314	\$ 815,614
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Cash paid for:		
Interest	\$ 4,995	\$ 7,576
Noncash Financing Activities:		
Note Payable Refinanced	\$ —	\$ 148,667

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.

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, 2016 or 2015.

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 investments purchased with an original maturity of three months or less to be cash equivalents.

CERTIFICATES OF DEPOSIT

The Association has investments in certificates of deposits (CDs) with varying lengths of maturity expiring in 2018. It is the Association's intent to roll over the CDs. The CDs are recorded at cost plus accrued interest, and the interest is reinvested when a CD is rolled over. Interest rates on all CDs are between .3 % and .349 % at December 31, 2016.

ACCOUNTS RECEIVABLE

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

PROPERTY AND EQUIPMENT

Property and equipment purchases of \$500 or more are recorded at cost if purchased, or fair value if donated, and depreciated/amortized on straight-line basis over their estimated useful lives using a half-year convention. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is recognized in income.

Major renewals and betterments that extend the useful life of an asset are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation and amortization of the various classes of assets are as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings and Building Improvements.....	39
Office and Computer Equipment	3 – 5
Computer Software	3
Trailers	5 – 7
Furniture	5 – 7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

NSBA is incorporated in Georgia and the Foundation is incorporated in Illinois, both as not-for-profit organizations. A determination letter from the Internal Revenue Service for NSBA was received on January 21, 1985 stating that it is exempt from federal income taxes under Internal Revenue Code section 501(c)(5). A determination letter was received for the Foundation stating that it is exempt from federal income taxes under Internal Revenue Code section 501(c)(3) effective November 30, 2009. It is similarly classified by the State of Illinois. To the extent unrelated business income exists, NSBA and the Foundation would be subject to income taxes.

The Association has adopted the guidance in the FASB ASC topic on Income Taxes related to Uncertainty in Income Taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Association has taken or expects to take in its tax returns. Under the guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Association believes that it has appropriate support for the positions taken on its returns.

No income tax liabilities resulting from unrelated business income tax are reported in the statements of assets, liabilities and net assets and no unrelated business income tax expenses are included in the statements of revenues, expenses and changes in net assets as management believes the amounts would not be material.

NSBA and the Foundation file their Form 990's and NSBA files its 990T in the federal jurisdiction and NSBA files its Illinois 990T and the Foundation its AG 990IL with the State of Illinois.

REVENUE RECOGNITION

NSBA membership dues are deferred and recognized as revenue over the membership period which is on a calendar-year basis; lifetime memberships are amortized on a straight-line basis over an estimated life of three years. Sponsorship income is recognized as revenue when received. Subscriptions for NSBA's magazine are deferred and recognized as revenue over the subscription period. The amount of membership dues collected but unearned as of year-end are recorded as deferred revenue. BCF enrollment revenue is recognized throughout the period the horse is in competition. Trainer sales revenue is recognized when the training occurs. Stallion sales proceeds are paid out based on year-end competition points and are recognized as revenue upon payout.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—DEFERRED REVENUE

Deferred revenue at December 31 consisted of the following:

	2016	2015
BCF Enrollment.....	\$ 555,734	\$ 499,503
Memberships.....	224,199	217,549
Stallion Incentive Fund.....	125,166	113,570
Trainer Sales.....	18,800	22,500
	\$ 923,899	\$ 853,122

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 and also borrowed an additional \$51,333 for operational purposes. Unpaid principal plus accrued interest is due July 10, 2020. Monthly payments, including principal and interest at 3.7%, are \$2,002. An additional principal payment of \$25,000 was made in 2016. The amount outstanding was \$98,943 at December 31, 2016 and \$143,056 at December 31, 2015.

Principal repayments due in the next four years are:

Year Ending December 31,		
2017.....	\$	20,706
2018.....		21,485
2019.....		22,294
2020.....		34,458
		\$ 98,943

NOTE 4—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are as follows:

	2016	2015
Crisis Fund.....	\$ 31,105	\$ 40,273
Youth Scholarship Fund.....	31,066	33,706
Equestrians with Disabilities.....	4,386	—
Heroes on Horses.....	48,924	7,620
Animal Welfare.....	8,240	6,784
	\$ 123,721	\$ 88,383

Amounts released from restriction during 2016, inclusive of administrative fees, totaled \$115,191 and represent \$3,140 for the scholarship program, \$624 for the Animal Welfare Fund, \$27,940 for the Crisis Fund, \$59,241 for Equestrians with Disabilities and \$24,246 for Heroes on Horses.

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.

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, which expired 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 the 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. Prior to the lease expiring, effective December 1, 2016, the Association renegotiated a new lease which expires November 30, 2019. All details of the lease remain the same except the monthly fee is now fixed at \$2,705 for the entire lease. Also, the lessee was provided a credit of \$12,000 for building improvements. This credit will be recognized as a \$1,000 reduction in monthly rental payments commencing January 1, 2017. Rental income was \$29,521 for 2016 and \$30,600 for 2015.

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

Year Ending December 31, 2017	\$	21,460
Year Ending December 31, 2018		32,460
Period January 1, 2019 through November 30, 2019		<u>29,755</u>
Total	\$	<u>83,675</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 \$24,433 for 2016 and \$19,449 for 2015.

Future minimum lease payments are as follows:

Period January 1, 2017 through March 31, 2017	\$	1,142
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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:

	2016		2015	
	NSBA	Foundation	NSBA	Foundation
Program	\$ 2,679,596	\$ 96,664	\$ 2,676,412	\$ 86,893
Management and General	744,698	36,284	550,408	38,842
Fundraising	—	13,482	—	17,248
Total	<u>\$ 3,424,294</u>	<u>\$ 146,430</u>	<u>\$ 3,226,820</u>	<u>\$ 142,983</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 March 6, 2017, 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, 2016

	National Snaffle Bit Association	National Snaffle Bit Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 988,498	\$ 124,816	\$ —	\$ 1,113,314
Due from Affiliate	—	7,050	(7,050)	—
Prepaid Expenses	17,368	—	—	17,368
Total Current Assets	<u>1,005,866</u>	<u>131,866</u>	<u>(7,050)</u>	<u>1,130,682</u>
PROPERTY AND EQUIPMENT				
Land	36,397	—	—	36,397
Building and Building Improvements	336,181	—	—	336,181
Office and Computer Equipment	66,607	—	—	66,607
Computer Software	63,014	—	—	63,014
Vehicles	6,662	—	—	6,662
Furniture and Fixtures	55,074	—	—	55,074
	<u>563,935</u>	<u>—</u>	<u>—</u>	<u>563,935</u>
Less Accumulated Depreciation and Amortization	195,475	—	—	195,475
	<u>368,460</u>	<u>—</u>	<u>—</u>	<u>368,460</u>
OTHER ASSETS				
Certificates of Deposit	377,428	20,060	—	397,488
	<u>\$ 1,751,754</u>	<u>\$ 151,926</u>	<u>\$ (7,050)</u>	<u>\$ 1,896,630</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Note Payable	\$ 20,706	\$ —	\$ —	\$ 20,706
Due to Affiliate	7,050	—	(7,050)	—
Accrued Liabilities	126,851	—	—	126,851
Deferred Revenue	312,315	—	—	312,315
Security Deposit	2,550	—	—	2,550
Total Current Liabilities	<u>469,472</u>	<u>—</u>	<u>(7,050)</u>	<u>462,422</u>
LONG-TERM LIABILITIES				
Note Payable, net of Current Maturities	78,237	—	—	78,237
Accrued Liability	51,103	—	—	51,103
Deferred Revenue	611,584	—	—	611,584
Total Long-Term Liabilities	<u>740,924</u>	<u>—</u>	<u>—</u>	<u>740,924</u>
Total Liabilities	<u>1,210,396</u>	<u>—</u>	<u>(7,050)</u>	<u>1,203,346</u>
NET ASSETS				
Unrestricted				
Board-Designated	246,145	—	—	246,145
Undesignated	295,213	28,205	—	323,418
	<u>541,358</u>	<u>28,205</u>	<u>—</u>	<u>569,563</u>
Temporarily Restricted	—	123,721	—	123,721
	<u>541,358</u>	<u>151,926</u>	<u>—</u>	<u>693,284</u>
	<u>\$ 1,751,754</u>	<u>\$ 151,926</u>	<u>\$ (7,050)</u>	<u>\$ 1,896,630</u>

See accompanying accountants' report.

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

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 ACTIVITIES

For the Year Ended December 31, 2016

	National Snaffle Bit Association	National Snaffle Bit Foundation			Total
		Unrestricted	Temporarily Restricted	Total	
REVENUES					
BCF/World Show	\$ 1,929,526	\$ ---	\$ ---	\$ ---	\$ 1,929,526
Membership	349,214	—	—	—	349,214
Credit Card Surcharges	65,131	—	—	—	65,131
Merchandise Sales	19,592	—	—	—	19,592
Stallion Incentive Fund	128,981	—	—	—	128,981
Yearling Sales	96,887	—	—	—	96,887
Judges Program	16,900	—	—	—	16,900
Licensing Program	109,950	—	—	—	109,950
Magazines	420,197	—	—	—	420,197
Smart Point	40,679	—	—	—	40,679
Riders Cup	31,335	—	—	—	31,335
Trainer Sales	33,300	—	—	—	33,300
Other Shows	143,495	—	—	—	143,495
Other Revenue	117,244	—	—	—	117,244
Year End Award Banquet	11,850	—	—	—	11,850
Rental Income	29,521	—	—	—	29,521
Interest Income	1,508	71	—	71	1,579
Special Event - Auction, net of Direct Expenses of \$19,951	—	40,694	—	40,694	40,694
Contributions	—	5,740	150,529	156,269	156,269
Release of Restrictions	—	115,191	(115,191)	—	—
Total Revenues	3,545,310	161,696	35,338	197,034	3,742,344
EXPENSES					
Payroll	550,748	13,400	—	13,400	564,148
Payroll Taxes	41,105	—	—	—	41,105
Employee Benefits	79,597	—	—	—	79,597
Advertising	4,140	250	—	250	4,390
Arena Rental	208,956	—	—	—	208,956
Bank Charges and Credit Card Fees	57,084	—	—	—	57,084
Other Show Expense	50,737	—	—	—	50,737
Awards	174,857	298	—	298	175,155
Meetings	20,512	—	—	—	20,512
Computer Expense	24,654	—	—	—	24,654
Outside Services	111,348	31,500	—	31,500	142,848
Day Fees	212,982	—	—	—	212,982
Depreciation	21,383	—	—	—	21,383
Drug Testing	41,655	—	—	—	41,655
Equipment	7,578	—	—	—	7,578
Equipment Rental	24,433	—	—	—	24,433
Licenses, Permits, and Filing Fees	4,159	128	—	128	4,287
Insurance Expense	10,924	—	—	—	10,924
Interest Expense	4,995	—	—	—	4,995
Travel, Meals and Lodging	225,590	14,008	—	14,008	239,598
Newsletter	1,828	—	—	—	1,828
Office Expenses and Supplies	23,594	8,141	—	8,141	31,735
Payouts	924,245	—	—	—	924,245
Plaques and Trophies	105,860	—	—	—	105,860
Postage and Shipping	92,746	882	—	882	93,628
Printing	307,481	6,880	—	6,880	314,361
Sponsorships	—	30,000	—	30,000	30,000
Stall/Entry Fees	—	10,130	—	10,130	10,130
Real Estate Taxes	11,801	—	—	—	11,801
Telephone	8,947	—	—	—	8,947
Occupancy	18,310	—	—	—	18,310
Year-End Award Banquet	33,734	—	—	—	33,734
Website and Internet	2,496	—	—	—	2,496
Professional Fees	11,602	6,050	—	6,050	17,652
Scholarships	—	2,000	—	2,000	2,000
Financial Assistance	—	22,000	—	22,000	22,000
Other	4,213	763	—	763	4,976
Total Expenses	3,424,294	146,430	—	146,430	3,570,724
CHANGE IN NET ASSETS	121,016	15,266	35,338	50,604	171,620
Net Assets, Beginning	420,342	12,939	88,383	101,322	521,664
NET ASSETS, ENDING	\$ 541,358	\$ 28,205	\$ 123,721	\$ 151,926	\$ 693,284

See accompanying accountants' report.

NATIONAL SNAFFLE BIT ASSOCIATION AND AFFILIATE

CONSOLIDATING SCHEDULES OF ACTIVITIES (Continued)

For the Year Ended December 31, 2015

	National Snaffle Bit Association	National Snaffle Bit Foundation			Total
		Unrestricted	Temporarily Restricted	Total	
REVENUES					
BCF/World Show	\$ 1,750,189	\$ —	\$ —	\$ —	\$ 1,750,189
Membership	300,052	—	—	—	300,052
Credit Card Surcharges	56,768	—	—	—	56,768
Merchandise Sales	25,295	—	—	—	25,295
Stallion Incentive Fund	120,797	—	—	—	120,797
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	38,852	—	—	—	38,852
Riders Cup	40,482	—	—	—	40,482
Trainer Sales	35,550	—	—	—	35,550
Other Shows	123,120	—	—	—	123,120
Other Revenue	36,067	—	—	—	36,067
Year End Award Banquet	15,190	—	—	—	15,190
Rental Income	30,600	—	—	—	30,600
Interest Income	1,477	106	—	106	1,583
Special Events					
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	182,982	—	—	—	182,982
Depreciation	19,505	—	—	—	19,505
Drug Testing	27,891	—	—	—	27,891
Equipment	2,075	—	—	—	2,075
Equipment Rental	19,449	—	—	—	19,449
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	—	2,000	—	2,000	2,000
Financial Assistance	—	3,000	—	3,000	3,000
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.