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# UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

**For the Year Ended November 30, 2018**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
United States Eventing Association, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of United States Eventing Association, Inc. (the Association) (a Virginia not-for-profit corporation) and Affiliate (United States Eventing Foundation) which comprises the consolidated statement of financial position as of November 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Eventing Association, Inc. and Affiliate as of November 30, 2018, and the changes in its net assets, and its cash flows for year ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information contained on pages 21 to 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Sikich LLP

Naperville, Illinois
January 30, 2020

# CONSOLIDATED FINANCIAL STATEMENTS

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

November 30, 2018

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash and cash equivalents | $ 849,272 |
| Investments | 2,938,048 |
| Accounts receivable, net | 63,248 |
| Inventory | 40,936 |
| Prepaid expense | 63,956 |
| Total current assets | 3,955,460 |
| **PROPERTY AND EQUIPMENT** | |
| Land and building | 1,142,906 |
| Software | 353,979 |
| Machinery and equipment | 184,982 |
| Furniture and fixtures | 172,082 |
| Total property and equipment | 1,853,949 |
| Less accumulated depreciation | (1,224,131) |
| Net property and equipment | 629,818 |
| **TOTAL ASSETS** | $ 4,585,278 |

(This statement is continued on the following page.)

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

November 30, 2018

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 173,379 |
| Accrued expenses | | 40,823 |
| Accrued wages | | 86,771 |
| Accrued severance pay | | 68,032 |
| Accrued vacation | | 106,829 |
| Deferred membership dues | | 400,706 |
| Deferred events and scholarships | | 147,523 |
| Total current liabilities | | 1,024,063 |
| **LONG-TERM LIABILITIES** | | |
| Deferred membership dues, long-term portion | | 181,434 |
| Total long-term liabilities | | 181,434 |
| Total liabilities | | 1,205,497 |
| **NET ASSETS** | | |
| Unrestricted | | |
| Undesignated | | 798,855 |
| Designated | | 1,144,698 |
| Total unrestricted | | 1,943,553 |
| Temporarily restricted | | 1,436,228 |
| Total net assets | | 3,379,781 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 4,585,278 |

See accompanying notes to consolidated financial statements.

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended November 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **REVENUE** | | | |
| Competition and events | $ 1,191,076 | $ - | $ 1,191,076 |
| Area programs | 1,115,361 | - | 1,115,361 |
| Membership dues | 931,617 | - | 931,617 |
| Sponsorships and contributions | 581,609 | 125,371 | 706,980 |
| Xentry and other income | 188,869 | - | 188,869 |
| Contributions | 68,619 | 93,754 | 162,373 |
| Net depreciation (appreciation) on investments | (205,678) | 79,113 | (126,565) |
| Annual meeting | 89,359 | - | 89,359 |
| Dividends and interest | 39,952 | 44,195 | 84,147 |
| Educational programs | 81,021 | - | 81,021 |
| Event supplies | 64,969 | - | 64,969 |
| Publication and advertising | 50,506 | - | 50,506 |
| Merchandise sales (net of costs of goods sold of $36,001) | 5,232 | - | 5,232 |
| Gain on disposal | 200 | - | 200 |
| Net assets released from restrictions | 197,188 | (197,188) | - |
| Total revenue | 4,399,900 | 145,245 | 4,545,145 |
| **EXPENSES** | | | |
| Program services | | | |
| USEA Foundation | 179,005 | - | 179,005 |
| Areas | 1,206,324 | - | 1,206,324 |
| Competitions | 1,186,346 | - | 1,186,346 |
| Education | 173,758 | - | 173,758 |
| Media | 274,430 | - | 274,430 |
| Memberships | 391,040 | - | 391,040 |
| Total program services | 3,410,903 | - | 3,410,903 |
| Management and general | 1,360,578 | | 1,360,578 |
| Fundraising | 108,320 | | 108,320 |
| Total functional expenses | 4,879,801 | - | 4,879,801 |
| CHANGE IN NET ASSETS | (479,901) | 145,245 | (334,656) |
| NET ASSETS, BEGINNING OF YEAR | 2,423,454 | 1,290,983 | 3,714,437 |
| **NET ASSETS, END OF YEAR** | $ 1,943,553 | $ 1,436,228 | $ 3,379,781 |

See accompanying notes to consolidated financial statements.

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended November 30, 2018

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Change in net assets | $ (334,656) |
| Adjustments to reconcile excess of revenue and support over expenses to cash from operating activities | |
| Depreciation and amortization | 67,802 |
| Realized gain on investments | (137,143) |
| Unrealized loss on investments | 263,708 |
| Noncash contributions - donated stock | (324,287) |
| Gain on disposal of fixed asset | (200) |
| (Increase) decrease in | |
| Accounts receivable | (32,638) |
| Grant receivable | 500,000 |
| Due from related party | (776,630) |
| Inventory | (7,425) |
| Prepaid expenses | (15,488) |
| Accounts payable | 146,830 |
| Grant payable | (43,667) |
| Accrued expenses | 4,343 |
| Accrued wages | 8,562 |
| Accrued severance pay | (40,696) |
| Accrued vacation | 23,473 |
| Deferred membership dues | (27,587) |
| Due to related party | 776,630 |
| Total adjustments | 385,587 |
| Net cash flows from operating activities | 50,931 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchase of equipment | (129,731) |
| Proceeds from sale of fixed assets | 200 |
| Proceeds from sale of investments | (3,249,709) |
| Payments of purchase of investments | 2,242,519 |
| Net cash flows from investing activities | (1,136,721) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,085,790) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,935,062 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 849,272 |

See accompanying notes to consolidated financial statements.

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended November 30, 2018

| | Program Services | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **USEA Foundation** | **Areas** | **Competitions** | **Education** | **Media** | **Memberships** | **Total Program Services** | **Management and General** | **Fundraising** | **Total** |
| **FUNCTIONAL EXPENSES** | | | | | | | | | | |
| Accounting and audit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,650 | $ - | $ 3,650 |
| Advertising and promotion | - | - | 9,000 | - | 90 | - | 9,090 | 28,170 | - | 37,260 |
| Affiliation dues | - | - | 50 | - | - | - | 50 | 3,960 | - | 4,010 |
| Area allocations | - | 1,179,078 | - | - | - | - | 1,179,078 | - | - | 1,179,078 |
| Awards, trophies, and certificates | - | - | 309,574 | | | 27,903 | 337,477 | 990 | - | 338,467 |
| Bank fees and charges | - | - | 3 | - | - | - | 3 | 150,598 | - | 150,601 |
| Charitable state registrations | - | - | - | - | - | - | - | - | 9,881 | 9,881 |
| Communications | - | - | | | | 30 | 30 | 30,910 | - | 30,940 |
| Compensation and benefits | 21,345 | 27,246 | 360,452 | 50,530 | 142,597 | 173,249 | 775,419 | 694,348 | 89,094 | 1,558,861 |
| Computer and equipment lease | - | - | 1,918 | - | 104 | 1,199 | 3,221 | 78,047 | - | 81,268 |
| Depreciation | - | - | 7,565 | - | 593 | - | 8,158 | 59,644 | - | 67,802 |
| Events | - | - | - | - | - | - | - | - | 3,396 | 3,396 |
| Group membership and drug testing | - | - | 175,000 | - | - | - | 175,000 | - | - | 175,000 |
| Insurance | - | - | 90,480 | 19,841 | - | - | 110,321 | 23,755 | - | 134,076 |
| Marketing | - | - | - | - | - | - | - | 7,000 | - | 7,000 |
| Miscellaneous | - | - | 3,015 | 1,122 | 290 | 514 | 4,941 | 1,266 | - | 6,207 |
| Occupancy | - | - | - | - | - | - | - | 68,297 | - | 68,297 |
| Outside services | - | - | 93,870 | 65,086 | 16,277 | 9,512 | 184,745 | 43,201 | - | 227,946 |
| Postage and shipping | - | - | 31,207 | 2,098 | 36,214 | 27,596 | 97,115 | 8,410 | 5,358 | 110,883 |
| Printing | - | - | 20,355 | 906 | 67,195 | 8,909 | 97,365 | 940 | - | 98,305 |
| Professional fees | - | - | - | - | - | - | - | 33,517 | - | 33,517 |
| Program development | - | - | 1,366 | - | - | - | 1,366 | 9,755 | - | 11,121 |
| Scholarships and grants | 157,660 | - | 25,992 | - | - | - | 183,652 | 43,704 | - | 227,356 |
| Supplies and materials | - | - | 6,162 | 38 | 837 | 4,207 | 11,244 | 30,250 | 591 | 42,085 |
| Travel and meetings | - | - | 50,337 | 34,137 | 10,233 | 137,921 | 232,628 | 40,166 | - | 272,794 |
| **TOTAL FUNCTIONAL EXPENSES** | $ 179,005 | $ 1,206,324 | $ 1,186,346 | $ 173,758 | $ 274,430 | $ 391,040 | $ 3,410,903 | $ 1,360,578 | $ 108,320 | $ 4,879,801 |

See accompanying notes to consolidated financial statements.

## 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of United States Eventing Association, Inc. (the Association) and its affiliate, United States Eventing Foundation (the Foundation) (collectively, the Organization). All significant affiliate transactions and balances have been eliminated in consolidation.

## 2. NATURE OF ACTIVITIES

The United States Eventing Association, Inc. was founded in 1959 as a not-for-profit educational association dedicated to promoting and developing equestrian eventing throughout the United States of America. The Association accomplishes its mission by educating and assisting its members, including competitors, event organizers, and officials; maintaining responsible safety standards for events; registering qualified competitions and competitors; and providing training opportunities designed to improve the skills and abilities of both horse and rider.

The USEA Foundation was established in 1991 for the exclusive benefit of the Association. The Foundation supports the charitable, scientific, literary, and educational activities of the Association and performs certain charitable functions on behalf of the Association. The Foundation is governed by a trust agreement and by-laws and managed by an independent Board of Trustees. The Foundation carries out its charitable activities through scholarships and grant awards to worthy event riders. The Foundation also raises funds in support of the Association's charitable and educational activities and supports various programs designed to further the sport of eventing.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

Net assets are classified into one of three classes based on the existence or absence of donor impose restrictions. Following is a description of each class:

Unrestricted - Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. Unrestricted net assets include those which have been designated by the Board of Governors for a specific purpose.

Temporarily Restricted - Temporarily restricted net assets include net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting (Continued)

Permanently Restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. The Foundation does not have any permanently restricted net assets as of November 30, 2018.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

The Organization has deposits at multiple financial institution in excess of federally insured limits of approximately $37,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in revenue and support in the consolidated statement of activities. Money market funds included in the investment portfolio are treated as cash equivalents and presented as investments on the consolidated statement of financial position. Investment income is reported net of external and direct internal investment expenses.

Allowance for Doubtful Accounts

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable account receivable.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventory

Inventory consists primarily of educational publications, videos, eventing materials, and branded logo items purchase for resale. Inventory is valued at the lower of average cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventory amounts to $28,846 and is netted with a reserve for obsolescence. Additionally, donated inventory is recorded at fair value on the date of the donation and amounts to $12,090.

### Property and Equipment

Property and equipment are stated at cost or fair value if contributed. The Board of Governors adopted a policy to capitalize assets with a cost greater than or equal to $1,000 and a useful life of more than one year.

Depreciation on all property and equipment is computed using the straight-line method over the following estimated useful lives:

| | Years |
|---|---|
| Building | 15-30 |
| Software | 3 |
| Machinery and equipment | 5-7 |
| Furniture and fixtures | 5-7 |

Depreciation expense is $67,802.

### Accrued Expenses

Accrued expenses amount to $40,823. Of these totals $40,089 consist of accrued prizes and awards for events occurring during the current year that are pending completion of the requisite paperwork for disbursement to the winner.

### Deferred Revenue

Deferred revenue consists of membership dues, sponsorships, and registrations received in advance of the applicable membership period or program event. Membership dues revenue is recognized ratably over the applicable membership terms, which coincide with the Organization’s fiscal year. Sponsorships are either recognized in conjunction with the event being sponsored or ratably over the sponsorship agreement for agreements covering multiple program activities. Competition events and educational registrations are recognized when the event or education program is held. Deferred revenue amounts to $729,663. $181,434 is presented as long-term deferred revenue and reflects deferred life membership dues not expiring within one year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are reported as increases in unrestricted net assts unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gain and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use has been restricted by explicit donor stipulation. Expirations or temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the consolidated statement of activities as net assets released from restrictions.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

The Organization receives revenue from the area accounts related to the Organization. Area program revenues are recorded as revenue during the period services are provided. The area accounts consist of different locations of horse racing competitions that are held throughout the year.

Donated Goods

Donated goods are recorded at their estimated fair value on the date of donation. The Organization received donated goods in the amount of $220,212. These amounts are included in sponsorships and contributions revenue in the consolidated statement of activities and in awards, trophies, and certificates expense in the consolidated statement of functional expenses.

Advertising Costs

The Organization expenses advertising costs as incurred. Total advertising costs incurred were $37,260.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (USGAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include deprecation, office, and occupancy, which are allocated on a square-footage basis as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3), and similar provisions of the state income tax code. The Organization is classified by the Internal Revenue Service as other than a private foundation.

Future Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. Management is currently assessing the impact of this new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, expense classifications, and cash flows. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently assessing the impact of this new standard.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements (Continued)

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as resource provider. Early adoption is permitted. The Organization are currently assessing the impact of this new standard.

## 4. INVESTMENTS

Fair Value Measurements

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quotes prices in active markets for identical assets or liabilities.

Level 2: Quotes prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

## 4. INVESTMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used.

- Mutual funds: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year.
- Common stock: Valued at the closing quoted price in an active market.
- Government and agency bonds: Valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data.
- Corporate debt securities: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Assets measured at fair value on a recurring basis are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual funds | $ 392,540 | $ - | $ - | $ 392,540 |
| Common stock | 1,223,588 | - | - | 1,223,588 |
| Government and agency bonds | - | 565,791 | - | 393,492 |
| Corporate debt securities | - | 756,129 | - | 172,299 |
| TOTAL ASSETS AT FAIR VALUE | $ 1,616,128 | $ 1,321,920 | $ - | $ 2,938,048 |

## 5. CONDITIONAL SPONSORSHIPS RECEIVABLE

The Organization has sponsorship agreements with several donors that consist of providing conditional funding in future years. A corresponding sponsorships receivable has not been recorded on the consolidated statement of financial position as the conditional sponsorships are contingent upon the Organization providing a reciprocal transfer of assets and services to the sponsors. Conditional promises to give and sponsorship arrangements are recognized when the conditions on which they depend upon are substantially met. Conditional sponsorships receivable amounts to $169,300.

## 6. NET ASSETS DESIGNATIONS

The Board of Governors may internally designate a portion of the Organization's net assets as funds earmarked for specific purposes. Additionally, board designated funds may be redirected by the Board of Governors.

The Organization reported internally designated funds for the following purposes:

| | |
|---|---|
| Foundation Reserve | $ 500,000 |
| Area-YR | 272,226 |
| Area-AR | 205,135 |
| Area Administration Funds | 122,281 |
| Equine Research Fund | 32,075 |
| Building Improvement Fund | 7,909 |
| Course Design | 5,072 |
| TOTAL NET ASSETS DESIGNATIONS | $ 1,144,698 |

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

| | |
|---|---|
| Wilson Fair Fund | $ 981,253 |
| Roger Hall Education Fund | 109,683 |
| Essex Fund | 79,723 |
| Broussard Developing Riders Fund | 67,277 |
| Young Event Horse | 38,563 |
| Collapsible Fence Study | 30,324 |
| Seema Sonrad Scholarship Fund | 26,754 |
| Future Horse Event | 23,095 |
| PRO Groom Award Fund | 18,950 |
| Cardio Research Study | 16,776 |
| Le Samurai Adult Amateur Rider Fund | 11,953 |
| Mike Huber Award | 9,285 |
| Worth the Trust Scholarship Fund | 8,371 |
| ICP II Booster | 5,342 |
| Amy Tyron Scholarship Fund | 4,733 |
| Young Event Horse | 4,146 |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | $ 1,436,228 |

## 7. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from the following temporarily restricted net assets by incurring expenses satisfying the purpose restrictions specified by donors during the year:

| | |
|---|---|
| Devil Riders | $ 62,500 |
| Wilton Fair | 45,000 |
| Collapsible Fence Study | 26,235 |
| Turner/HoleKamp | 17,500 |
| Essex Grant | 10,000 |
| Mike Huber Award | 7,303 |
| Amy Tyron | 5,000 |
| Worth the Trust | 5,000 |
| Seema Sonnad JR/YR Rider Grant | 5,000 |
| Bldg Fund | 4,527 |
| PRO Groom | 2,500 |
| Le Samurai | 1,500 |
| Roger Hall | 1,400 |
| Cardio Research Study | 1,366 |
| Future Event House | 1,317 |
| ICP II Booster | 912 |
| Volunteer | 128 |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS | $ 197,188 |

## 8. RETIREMENT PLAN

The Organization maintains a 401(k) qualified retirement plan covering all employees meeting certain minimum requirements are eligible to participate in the retirement plan. The Organization makes matching contributions to the Organization based upon 50% of the participants' contributions up to a maximum of 6% of participants' salary deferral contributions. The Organization incurred $43,542 in retirement plan expense associated with matching contributions.

## 9. COMMITMENTS AND CONTINGENCIES

<u>Competition and Events</u>

The Organization endorses or sponsors various competitive riding events throughout the United States of America. Given the risk associated with eventing, the Organization obtains competition liability insurance coverage of $1,000,000 per competition and $2,000,000 aggregate. No assurance can be given regarding the adequacy of insurance coverage although the Organization has not experienced losses in excess of its insurance coverage in the past.

## 9. COMMITMENTS AND CONTINGENCIES (Continued)

Group Membership and Drug Testing Agreement

The Organization contracts with USA Equestrian Federation for group membership and drug testing services. The Organization paid $175,000 to the USA Equestrian Federation and reported no accrued liability associated with the contractual agreement.

The Organization has hotel contracts for future meetings and conferences. These contracts contain cancellation clauses that require the Organization to pay certain liquidating damages in the event of cancellation. The amount of damages varies depending upon the date of cancellation, numbers of rooms reserved, percentage of rooms resold by the hotel, etc. In the event of cancellation, the Organization may also risk forfeiture of any deposits held by the hotels. The Organization also considers cancellation insurance for its annual meeting.

## 10. ACCRUED SEVERANCE PAY

On February 5, 2008, the Organization entered into an employment contract with the former Executive Director. The contract stipulated that if the contract is not renewed at the end of the contract period and subsequent renewal periods, the Organization would be required to provide severance pay to the Executive Director equating to one year of salary, all accrued but unused annual leave, and the monetary value of one year of benefits. During the year ended November 30, 2015, the former Executive Director did not renew the corresponding employment contract, and as such, the Organization recognized accrued severance pay of $164,048. The $164,048 of accrued severance pay will be paid equally to the Executive Director over five years beginning December 1, 2015.

On December 1, 2015, the Organization entered into an employment contract with its current Executive Director. The contract stipulates that if the contact is cancelled, the Organization would be required to provide severance pay equating to eight weeks of salary plus two additional weeks of salary for each year of completed service. As the Organization will be required to pay the severance pay in any eventuality, the Organization has recorded accrued severance pay to the current Executive Director.

Accrued severance pay related to the former Executive Director amounts to $43,489 and accrued severance pay related to the new Executive Director amounts to $24,543. Total accrued severance pays amounts to $68,032.

## 10. ACCRUED SEVERENCE PAY (Continued)

Future minimum payments of the accrued severance pay liability are as follows:

| Year Ending November 30, | Amount |
|---|---|
| 2019 | $ 32,809 |
| 2020 | 18,567 |
| 2021 | 16,656 |
| TOTAL | $ 68,032 |

## 11. SUBSEQUENT EVENTS

The date to which events occurring after November 30, 2018, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is January 30, 2020, the date the consolidated financial statements were available to be issued.

# SUPPLEMENTARY INFORMATION

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

November 30, 2018

| | USEA, Inc. | USEA Foundation | Eliminations | Combined |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | $ 775,199 | $ 74,073 | $ - | $ 849,272 |
| Investments | 172,299 | 2,765,749 | - | 2,938,048 |
| Accounts receivable, net | 63,248 | - | - | 63,248 |
| Due from related party | 1,012,496 | - | (1,012,496) | - |
| Inventory | 40,936 | - | - | 40,936 |
| Prepaid expense | 58,956 | 5,000 | - | 63,956 |
| Total current assets | 2,123,134 | 2,844,822 | (1,012,496) | 3,955,460 |
| **PROPERTY AND EQUIPMENT** | | | | |
| Land and building | 1,142,906 | - | - | 1,142,906 |
| Software | 353,979 | - | - | 353,979 |
| Machinery and equipment | 184,982 | - | - | 184,982 |
| Furniture and fixtures | 172,082 | - | - | 172,082 |
| Subtotal | 1,853,949 | - | - | 1,853,949 |
| Less accumulated depreciation | (1,224,131) | - | - | (1,224,131) |
| Net property and equipment | 629,818 | - | - | 629,818 |
| **TOTAL ASSETS** | $ 2,752,952 | $ 2,844,822 | $ (1,012,496) | $ 4,585,278 |

(This statement is continued on the following page.)

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Continued)

November 30, 2018

| | USEA, Inc. | USEA Foundation | Eliminations | Combined |
|---|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Accounts payable | $ 173,379 | $ - | $ - | $ 173,379 |
| Accrued expenses | 40,823 | - | - | 40,823 |
| Accrued wages | 86,771 | - | - | 86,771 |
| Accrued severance pay | 68,032 | - | - | 68,032 |
| Accrued vacation | 106,829 | - | - | 106,829 |
| Deferred membership dues, short-term portion | 400,706 | - | - | 400,706 |
| Deferred events and scholarships | 147,523 | - | | 147,523 |
| Due to related party | - | 1,012,496 | (1,012,496) | - |
| Total current liabilities | 1,024,063 | 1,012,496 | (1,012,496) | 1,024,063 |
| **LONG-TERM LIABILITIES** | | | | |
| Deferred membership dues, long-term portion | 181,434 | - | - | 181,434 |
| Total long-term liabilities | 181,434 | - | - | 181,434 |
| Total liabilities | 1,205,497 | 1,012,496 | (1,012,496) | 1,205,497 |
| **NET ASSETS** | | | | |
| Unrestricted | | | | |
| Undesignated | 713,391 | 85,464 | - | 798,855 |
| Designated | 644,698 | 500,000 | - | 1,144,698 |
| Total unrestricted | 1,358,089 | 585,464 | - | 1,943,553 |
| Temporarily restricted | 189,366 | 1,246,862 | - | 1,436,228 |
| Total net assets | 1,547,455 | 1,832,326 | - | 3,379,781 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 2,752,952 | $ 2,844,822 | $ (1,012,496) | $ 4,585,278 |

**UNITED STATES EVENTING ASSOCIATION, INC. AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended November 30, 2018

| | Unrestricted | | | Temporarily Restricted | | | | |
|---|---|---|---|---|---|---|---|---|
| | USEA, Inc. | USEA Foundation | Total | USEA, Inc. | USEA Foundation | Total | Eliminations | Combined |
| **REVENUE** | | | | | | | | |
| Competition and events | $ 1,191,076 | $ - | $ 1,191,076 | $ - | $ - | $ - | $ - | $ 1,191,076 |
| Area programs | 1,115,361 | - | 1,115,361 | - | - | - | - | 1,115,361 |
| Membership dues | 931,617 | - | 931,617 | - | - | - | - | 931,617 |
| Sponsorships and contributions | 581,609 | - | 581,609 | 125,371 | - | 125,371 | - | 706,980 |
| Xentry and other income | 188,869 | - | 188,869 | - | - | - | - | 188,869 |
| Contributions | - | 68,619 | 68,619 | - | 93,754 | 93,754 | - | 162,373 |
| Net depreciation (appreciation) on investments | (17,641) | (188,037) | (205,678) | - | 79,113 | 79,113 | - | (126,565) |
| Annual meeting | 89,359 | - | 89,359 | - | - | - | - | 89,359 |
| Dividends and interest | 8,149 | 31,803 | 39,952 | - | 44,195 | 44,195 | - | 84,147 |
| Educational programs | 81,021 | - | 81,021 | - | - | - | - | 81,021 |
| Event supplies | 64,969 | - | 64,969 | - | - | - | - | 64,969 |
| Publication and advertising | 50,506 | - | 50,506 | - | - | - | - | 50,506 |
| Merchandise sales (net of costs of goods sold of $36,001) | 5,232 | - | 5,232 | - | - | - | - | 5,232 |
| Gain on disposal | 200 | - | 200 | - | - | - | - | 200 |
| Net assets released from restrictions | 31,358 | 165,830 | 197,188 | (31,358) | (165,830) | (197,188) | - | - |
| Total revenue | 4,321,685 | 78,215 | 4,399,900 | 94,013 | 51,232 | 145,245 | - | 4,545,145 |
| **FUNCTIONAL EXPENSES** | | | | | | | | |
| Program services | | | | | | | | |
| USEA Foundation | - | 179,005 | 179,005 | - | - | - | - | 179,005 |
| Areas | 1,206,324 | - | 1,206,324 | - | - | - | - | 1,206,324 |
| Competitions | 1,186,346 | - | 1,186,346 | - | - | - | - | 1,186,346 |
| Education | 173,758 | - | 173,758 | - | - | - | - | 173,758 |
| Media | 274,430 | - | 274,430 | - | - | - | - | 274,430 |
| Memberships | 391,040 | - | 391,040 | - | - | - | - | 391,040 |
| Total program services | 3,231,898 | 179,005 | 3,410,903 | - | - | - | - | 3,410,903 |
| Management and general | 1,290,810 | 69,768 | 1,360,578 | - | - | - | - | 1,360,578 |
| Fundraising | 46,186 | 62,134 | 108,320 | - | - | - | - | 108,320 |
| Total functional expenses | 4,568,894 | 310,907 | 4,879,801 | - | - | - | - | 4,879,801 |
| CHANGE IN NET ASSETS | (247,209) | (232,692) | (479,901) | 94,013 | 51,232 | 145,245 | - | (334,656) |
| NET ASSETS, BEGINNING OF YEAR | 1,605,298 | 818,156 | 2,423,454 | 95,353 | 1,195,630 | 1,290,983 | - | 3,714,437 |
| **NET ASSETS, END OF YEAR** | $ 1,358,089 | $ 585,464 | $ 1,943,553 | $ 189,366 | $ 1,246,862 | $ 1,436,228 | $ - | $ 3,379,781 |