

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA

Financial Statements

June 30, 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Texas Longhorn Breeders Association of America
Fort Worth, Texas

We have audited the accompanying financial statements of Texas Longhorn Breeders Association of America, which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Texas Longhorn Breeders Association of America as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boucher, Morgan & Young

**Stephenville, Texas
December 13, 2018**

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Statement of Financial Position
June 30, 2018

ASSETS

Cash and cash equivalents	\$	535,082
Accounts receivable, net of allowance for doubtful accounts of \$704		42,542
Inventory		13,837
Prepaid expenses		10,751
Property and equipment, net		<u>20,442</u>
Total assets	\$	<u><u>622,654</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	67,683
Accrued expenses		9,409
Deferred revenues		<u>178,508</u>
Total liabilities		<u>255,600</u>

Net Assets:

Unrestricted		<u>367,054</u>
Total net assets		<u>367,054</u>
Total liabilities and net assets	\$	<u><u>622,654</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA

**Statement of Activities
Year ended June 30, 2018**

Changes in unrestricted net assets:

Revenues and other support:

Member services	\$ 469,152
Trails magazine	298,333
Cattle sales	118,733
Events	320,897
Investment income	459
Other income	79,282
Total revenues and other support	<u>1,286,856</u>

Expenses:

Member services	343,486
Trails magazine	303,048
Cattle sales	37,743
Events	377,176
Total expenses	<u>1,061,453</u>

Increase in unrestricted net assets 225,403

Net assets at beginning of year 141,651

Net assets at end of year \$ 367,054

The accompanying notes are an integral part of these consolidated financial statements.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Statement of Cash Flows
Year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 225,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,373
(Gain) loss on disposal of property and equipment	(146)
(Increase) decrease in:	
Accounts receivable	(20,221)
Inventory	2,616
Prepaid expenses	3,524
Increase (decrease) in:	
Accounts payable	39,507
Accrued expenses	(7,382)
Deferred revenue	5,269
Cash provided by operating activities	259,943

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(25,190)
Proceeds on disposal of property and equipment	400
Cash used in investing activities	(24,790)
 Net increase in cash and cash equivalents	 235,153
 Cash and cash equivalents at beginning of year	 299,929
 Cash and cash equivalents at end of year	 \$ 535,082

The accompanying notes are an integral part of these consolidated financial statements.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Notes to Financial Statements

NOTE 1- Nature of Organization and Significant Accounting Policies

Organization

The Texas Longhorn Breeders Association of America (the Association) is a not-for-profit membership organization incorporated under the law of Texas and exempt from income tax under Section 501(c)(5) of the U.S. Internal Revenue Code. The Association was formed in 1964 to collect, record, and preserve the pedigree registry of Texas Longhorns. In addition, the Association is responsible for promoting and disseminating knowledge and information related to the Texas Longhorn breed.

Basis of Presentation and Reporting Entity

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Association is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Association or by the passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to permanent donor-imposed stipulations.

At June 30, 2018, the Association's net assets were all classified as unrestricted.

Cash and Cash Equivalents

The Association considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Association maintains its cash balances in highly accredited financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Association has not been exposed to or experienced any loss in such account. As of June 30, 2018 the uninsured balance is \$123,266. The Association believes it is not exposed to any significant credit risk on its cash balance.

Accounts Receivable and Allowance for Doubtful Accounts

The Association provides for losses on accounts receivable using the allowance method, which is to charge off uncollectible accounts receivable to the allowance when management determines the receivable will not be collected. The allowance is based on historical collections.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Notes to Financial Statements

NOTE 1- Nature of Organization and Significant Accounting Policies (continued)

Inventory

Inventory is carried at the lower of cost or net realizable value determined by first-in, first-out method. Inventory consists of awards merchandise and promotional items for resale.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives of major classes of assets are as follows:

Furniture and fixtures	3-10 years
Sales and events equipment	3-10 years

Repairs and maintenance are charged to expense as incurred. When facilities are retired or otherwise disposed of, the cost is removed from the asset accounts and the related accumulated depreciation is adjusted with the difference being charged against income or expense.

Advertising Costs

The Association charges the cost of advertising to expenses when incurred. Total advertising costs for 2018 were \$7,115.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Association recognizes in its financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. As of June 30, 2018, the Association has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. At June 30, 2018, the Association's tax years 2015 to 2017 remain subject to examination for federal tax purposes.

Revenue Recognition

Membership dues and subscription fee revenues are recognized over the applicable membership or subscription period. All other revenue is recognized in the period in which the services are provided or the events occurred.

The accompanying notes are an integral part of these consolidated financial statements.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Notes to Financial Statements

NOTE 1- Nature of Organization and Significant Accounting Policies (continued)

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 at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Property and Equipment

Property and equipment at June 30, 2018 consist of the following:

Furniture and fixtures	\$	98,254
Sales and event equipment		76,153
Less: Accumulated depreciation		<u>(153,965)</u>
	\$	<u>20,442</u>

NOTE 3 - Commitments

Beginning in June 2018 the Association leases office space under an operating lease that expires in June 2020. The Association pays \$1,950 monthly and may cancel the lease with six months written notice. The Association also leases office equipment with an expiration dates in May 2019 and July 2021. For the year ended June 30, 2018, the lease expense under these agreements was \$24,761. Future minimum operating lease obligations are as follows:

2019	\$	17,926
2020		2,891
2021		2,891
2022		<u>241</u>
	\$	<u>23,949</u>

NOTE 4 – Related Parties

The Texas Longhorn Foundation (the Foundation) is a separate not-for-profit corporation organized to support and promote scientific, educational and charitable functions in connection with Texas Longhorn cattle.

The Association contributes to the Foundation the accounting, managerial, and administrative services necessary for the ordinary day-to-day operations. During the year ended June 30, 2018, there were no transactions between the Association and the Foundation, and there are no funds due between the Association and the Foundation as of June 30, 2018.

The accompanying notes are an integral part of these consolidated financial statements.

TEXAS LONGHORN BREEDERS ASSOCIATION OF AMERICA
Notes to Financial Statements

NOTE 5 - Subsequent Events

The Association evaluated all events or transactions that occurred after June 30, 2018 through December 13, 2018, the date these financial statements were available to be issued. During this period, the Association did not have any material recognizable subsequent events.

The accompanying notes are an integral part of these consolidated financial statementsx