

**UNITED STATES EVENTING ASSOCIATION, INC.
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
NOVEMBER 30, 2017 AND 2016**

UNITED STATES EVENTING ASSOCIATION, INC.
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statement of Activities	
For the Year Ended November 30, 2017	5
For the Year Ended November 30, 2016	6
Statements of Cash Flows	7 - 8
Notes to the Financial Statements	9 - 19
Schedule of Functional Expenses	
For the Year Ended November 30, 2017	20
For the Year Ended November 30, 2016	21



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of United States Evening Association, Inc. (a Virginia not-for-profit corporation), which comprise the statements of financial position as of November 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Eventing Association, Inc. as of November 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then 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 financial statements as a whole. The schedules of functional expenses on pages 20 - 21 are presented for purposes of additional analysis and are not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Knuttle & Associates, P.C.

**UNITED STATES EVENTING ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 1,380,503	\$ 1,206,534
Investments	538,043	717,064
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	30,610	52,094
Due from Related Party	235,866	131,313
Inventory	33,511	37,694
Prepaid Expenses	48,468	59,319
TOTAL CURRENT ASSETS	2,267,001	2,204,018
FIXED ASSETS		
Land and Building	1,134,845	1,129,945
Software	266,722	263,671
Machinery and Equipment	187,294	160,785
Furniture and Fixtures	172,082	173,476
	1,760,943	1,727,877
Less -- Accumulated Depreciation	1,193,054	1,132,319
TOTAL FIXED ASSETS	567,889	595,558
 TOTAL ASSETS	 \$ 2,834,890	 \$ 2,799,576

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 26,549	\$ 42,028
Grants Payable	43,667	0
Accrued Expenses	36,480	27,317
Due to Related Party	0	2,512
Accrued Wages	78,209	76,726
Accrued Severance Pay	32,809	32,809
Accrued Vacation	83,356	77,162
Deferred Membership Dues	427,014	280,129
Deferred Events and Sponsorships	145,233	148,566
TOTAL CURRENT LIABILITIES	873,317	687,249
NON-CURRENT LIABILITIES		
Accrued Severance Pay	75,919	111,302
Deferred Membership Dues	185,003	181,673
TOTAL NON-CURRENT LIABILITIES	260,922	292,975
TOTAL LIABILITIES	1,134,239	980,224
NET ASSETS		
Unrestricted		
Undesignated	957,916	954,594
Designated	647,382	728,936
Total Unrestricted	1,605,298	1,683,530
Temporarily Restricted	95,353	135,822
TOTAL NET ASSETS	1,700,651	1,819,352
TOTAL LIABILITIES AND NET ASSETS	\$ 2,834,890	\$ 2,799,576

See The Accompanying Notes To The Financial Statements.

UNITED STATES EVENTING ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT, REVENUES AND GAINS				
Competitions and Events	\$ 1,328,125	\$ 0	\$ 0	\$ 1,328,125
Membership Dues	937,981	0	0	937,981
Area Programs	902,722	0	0	902,722
Sponsorships and Contributions	598,241	55,836	0	654,077
Xentry and Other Income	182,283	0	0	182,283
Annual Meeting	106,328	0	0	106,328
Educational Programs	80,285	0	0	80,285
Event Supplies	56,754	0	0	56,754
Publication Advertising	42,884	0	0	42,884
Dividends and Interest	12,721	0	0	12,721
Merchandise Sales (Net of Costs of Goods Sold of \$34,334)	7,896	0	0	7,896
Unrealized Gain on Investments	1,629	0	0	1,629
Net Assets Released from Restrictions	96,305	(96,305)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	<u>4,354,154</u>	<u>(40,469)</u>	<u>0</u>	<u>4,313,685</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
Competition and Events	1,264,995	0	0	1,264,995
Area Programs	1,015,763	0	0	1,015,763
Memberships	427,381	0	0	427,381
Publication and Communication	241,683	0	0	241,683
Educational Programs	215,540	0	0	215,540
Total Program Services	<u>3,165,362</u>	<u>0</u>	<u>0</u>	<u>3,165,362</u>
Management and General	1,218,091	0	0	1,218,091
Fundraising	47,992	0	0	47,992
Total Functional Expenses	<u>4,431,445</u>	<u>0</u>	<u>0</u>	<u>4,431,445</u>
Realized Loss on Investments	449	0	0	449
Loss on Disposal of Fixed Assets	492	0	0	492
TOTAL EXPENSES AND LOSSES	<u>4,432,386</u>	<u>0</u>	<u>0</u>	<u>4,432,386</u>
CHANGE IN NET ASSETS	(78,232)	(40,469)	0	(118,701)
NET ASSETS,				
BEGINNING OF YEAR	<u>1,683,530</u>	<u>135,822</u>	<u>0</u>	<u>1,819,352</u>
END OF YEAR	<u>\$ 1,605,298</u>	<u>\$ 95,353</u>	<u>\$ 0</u>	<u>\$ 1,700,651</u>

See The Accompanying Notes To The Financial Statements.

UNITED STATES EVENTING ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES				
Competitions and Events	\$ 1,293,161	\$ 0	\$ 0	\$ 1,293,161
Membership Dues	916,961	0	0	916,961
Area Programs	839,525	0	0	839,525
Sponsorships and Contributions	657,257	170,601	0	827,858
Annual Meeting	164,661	0	0	164,661
Xentry and Other Income	156,319	0	0	156,319
Educational Programs	76,955	0	0	76,955
Event Supplies	63,011	0	0	63,011
Publication Advertising	61,333	0	0	61,333
Dividends and Interest	14,461	0	0	14,461
Merchandise Sales (Net of Costs of Goods Sold of \$40,493)	9,919	0	0	9,919
Net Assets Released from Restrictions	103,187	(103,187)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>4,356,750</u>	<u>67,414</u>	<u>0</u>	<u>4,424,164</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
Competition and Events	1,375,578	0	0	1,375,578
Area Programs	886,966	0	0	886,966
Memberships	451,853	0	0	451,853
Publication and Communication	230,816	0	0	230,816
Educational Programs	196,797	0	0	196,797
Total Program Services	<u>3,142,010</u>	<u>0</u>	<u>0</u>	<u>3,142,010</u>
Management and General	1,110,483	0	0	1,110,483
Fundraising	53,826	0	0	53,826
Total Functional Expenses	<u>4,306,319</u>	<u>0</u>	<u>0</u>	<u>4,306,319</u>
Loss on Disposal of Fixed Assets	1,585	0	0	1,585
Unrealized Loss on Investments	1,339	0	0	1,339
Realized Loss on Investments	157	0	0	157
TOTAL EXPENSES AND LOSSES	<u>4,309,400</u>	<u>0</u>	<u>0</u>	<u>4,309,400</u>
CHANGE IN NET ASSETS	47,350	67,414	0	114,764
NET ASSETS,				
BEGINNING OF YEAR	<u>1,636,180</u>	<u>68,408</u>	<u>0</u>	<u>1,704,588</u>
END OF YEAR	<u>\$ 1,683,530</u>	<u>\$ 135,822</u>	<u>\$ 0</u>	<u>\$ 1,819,352</u>

See The Accompanying Notes To The Financial Statements.

**UNITED STATES EVENTING ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grantors and Supporters	\$ 4,305,096	\$ 4,029,948
Dividends and Interest Received	12,721	14,461
Cash Paid to Vendors and Employees	(4,301,105)	(3,997,353)
Interest Paid	0	0
Income Taxes Paid	0	0
	<u>16,712</u>	<u>47,056</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Property	(39,563)	(60,355)
Payments for the Purchase of Investments	0	(515,425)
Proceeds from the Sale of Fixed Assets	70	0
Proceeds from the Sale of Investments	196,750	694,873
	<u>157,257</u>	<u>119,093</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>173,969</u>	<u>166,149</u>
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>1,206,534</u>	<u>1,040,385</u>
END OF YEAR	<u><u>\$ 1,380,503</u></u>	<u><u>\$ 1,206,534</u></u>
NON-CASH OPERATING ACTIVITIES		
Donated Goods	<u><u>\$ 180,390</u></u>	<u><u>\$ 332,922</u></u>
NON-CASH INVESTING ACTIVITIES		
Donated Investments	\$ 16,549	\$ 25,429
Donated Inventory	0	160
TOTAL NON-CASH INVESTING ACTIVITIES	<u><u>\$ 16,549</u></u>	<u><u>\$ 25,589</u></u>

See The Accompanying Notes To The Financial Statements.

**UNITED STATES EVENTING ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (118,701)</u>	<u>\$ 114,764</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Allowance for Doubtful Accounts	0	(70)
Depreciation	66,670	63,107
Loss on Disposal of Fixed Assets	492	1,585
Unrealized (Gain) Loss on Investments	(1,629)	1,339
Realized Loss on Investments	449	157
Donated Investments	(16,549)	(25,429)
Donated Inventory	0	(160)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	21,484	(26,947)
Due from Related Party	(104,553)	(131,313)
Inventory	4,183	2,767
Prepaid Expenses	10,851	50,219
Accounts Payable	(15,479)	25,798
Grants Payable	43,667	0
Accrued Expenses	9,163	1,114
Due to Related Party	(2,512)	1,246
Accrued Wages	1,483	12,113
Accrued Severance Pay	(35,383)	(19,937)
Accrued Vacation	6,194	11,582
Deferred Membership Dues	150,215	(17,440)
Deferred Events and Sponsorships	(3,333)	(17,439)
Total Adjustments	<u>135,413</u>	<u>(67,708)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 16,712</u></u>	<u><u>\$ 47,056</u></u>

See The Accompanying Notes To The Financial Statements.

UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Nature of Activities

The United States Eventing Association, Inc. (the "Association") 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 Association has approximately 12,000 members and affiliates. A summary of the Association's program services are described below:

Competitions and Events - All levels of sanctioned competition are designed to educate and train both horse and rider to safely and enjoyably move up the levels from entry level to Olympic level with courses being created, built and approved by USEA trained officials, course designers, course advisors and officials.

Area Programs - The country is divided into ten areas which serve the members at the local grassroots level. The Areas implement the Association's educational programs to ensure that riders and horses are well-prepared to safely meet the requirements at each level of competition. The Area Programs emphasize on improving the quality of instruction given by professional instructors and providing clinics and seminars to improve riding ability and safety techniques.

Memberships - The Association provides its members indispensable resources for education, safety, horse welfare, certification, training and information at the annual meeting.

Publication and Communication - Publications and inventory items are designed to be educational and informative to raise both awareness of the sport of eventing and to ensure participants have the tools required to make certain that they and their horses are able to compete safely and competently and are kept abreast of rule changes and other significant developments to improve the sport.

UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A) Organization and Nature of Activities (Continued)

Educational Programs - The Association informs members about significant developments in the sport over the prior year focusing on riding standards, horse welfare, safety requirements and adequate qualification required to advance in the sport. Improvements and enhancements in all aspect of education and promotional programs are discussed and developed for implementation in the coming year.

B) Basis of Accounting

The Association's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred.

C) Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association does not use fund accounting.

D) Accounting Policies

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 Association has deposits at financial institutions in excess of federally insured limits of \$491,372 and \$420,457 as of November 30, 2017 and 2016, respectively. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D) Accounting Policies (Continued)

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 the change in net assets.

Pledges Receivable - When a donor has unconditionally promised to contribute funds in future periods, the Association recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows. Pledges receivable at November 30, 2017 and 2016 amount to \$0, respectively.

Allowance for Doubtful Accounts - Accounts receivable is 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 receivable. The allowance for doubtful amounts to \$0 as of November 30, 2017 and 2016, respectively.

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. Inventory at November 30, 2017 and 2016 amounts to \$33,511 and \$37,694, respectively, and is netted with a reserve for obsolescence. Additionally, donated inventory is recorded at fair value on the date of donation and amounts to \$0 and \$160 at November 30, 2017 and 2016, respectively.

Fixed Assets - Purchased fixed assets are stated at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. The Association capitalizes assets with an original cost of \$1,000 or greater. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense amounts to \$66,670 and \$63,107 as of November 30, 2017 and 2016, respectively.

UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Accounting Policies (Continued)

Grants Payable - The Association has committed grants to other not-for-profit organization which were paid subsequent to the Association's fiscal year. As of November 30, 2017 and 2016, grants payable amount to \$43,667 and \$0, respectively.

Accrued Expenses - Accrued expenses at November 30, 2017 and 2016 amount to \$36,480 and \$27,317, respectively. Of these totals at November 30, 2017 and 2016, \$26,126 and \$21,926, respectively, 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 Association'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 \$757,250 and \$610,368 at November 30, 2017 and 2016, respectively. At November 30, 2017 and 2016, \$185,003 and \$181,673, is presented as long-term deferred revenue and reflects deferred life membership dues not expiring within one year.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Donated Goods - Donated goods are recorded at their estimated fair value on the date of donation. The Association received donated goods in the amount of \$180,390 and \$332,922 during the years ended November 30, 2017 and 2016, respectively. These amounts are included in sponsorships and contributions revenue in the Statements of Activities and in awards, trophies and certificates expense in the Schedules of Functional Expenses.

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D) Accounting Policies (Continued)

Donated Investments - Donated investments are recorded at their fair value on the date of donation. The Association's policy is to liquidate donated investments promptly upon their receipt. During the years ended November 30, 2017 and 2016, the Association received donations of investments valued at \$16,549 and \$25,429, respectively. These amounts are included in sponsorships and contributions revenue on the Statements of Activities.

Donated Services - Donated services are recognized as revenues at estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Some of the donated services received by the Association include program and clerical support by unpaid volunteers. No amounts have been reflected in the financial statements for those services because the criteria for recognition have not been satisfied.

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 2 - INVESTMENTS

At November 30, 2017, investments are stated at fair value and consist of the following:

	Balance at November 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)
Fixed Income	\$ 538,043	\$ 0	\$ 538,043
	<u>\$ 538,043</u>	<u>\$ 0</u>	<u>\$ 538,043</u>

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

NOTE 2 - INVESTMENTS (CONTINUED)

At November 30, 2016, investments are stated at fair value and consist of the following:

	Balance at November 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)
Mutual Funds	\$ 183,981	\$ 183,981	\$ 0
Fixed Income	533,083	0	533,083
	<u>\$ 717,064</u>	<u>\$ 183,981</u>	<u>\$ 533,083</u>

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. When Level 1 inputs were not available, the Association utilized Level 2 estimates to derive fair value. No Level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on unadjusted quoted market prices in active markets for identical assets.

Level 2 Fair Value Measurements

The fair value of fixed income securities is based on quoted prices in inactive markets, or whose values are based on models, however, the inputs to those models are observable either directly or indirectly for substantially the full term of the asset.

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

NOTE 2 - INVESTMENTS (CONTINUED)

The following schedule summarizes investment return and its classification in the Statements of Activities:

November 30, 2017:

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and Interest	\$ 12,721	\$ 12,721	\$ 0
Unrealized Gain on Investments	1,629	1,629	0
Realized Loss on Investments	(449)	(449)	0
	<u>\$ 13,901</u>	<u>\$ 13,901</u>	<u>\$ 0</u>

November 30, 2016:

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and Interest	\$ 14,461	\$ 14,461	\$ 0
Unrealized Loss on Investments	(1,339)	(1,339)	0
Realized Loss on Investments	(157)	(157)	0
	<u>\$ 12,965</u>	<u>\$ 12,965</u>	<u>\$ 0</u>

NOTE 3 - CONDITIONAL SPONSORSHIPS RECEIVABLE

The Association 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 statements of financial position as the conditional sponsorships are contingent upon the Association 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 \$31,750 and \$112,825 at November 30, 2017 and 2016, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

At November 30, 2017 and 2016, respectively, the Association owed the Foundation \$0 and \$2,512 primarily related to grants and fees collected by the Association on behalf of the Foundation. At November 30, 2017 and 2016, respectively, the Foundation owed the Association \$235,866 and \$131,313 primarily related to grants collected by the Foundation on behalf of the Association and unpaid overhead costs provided by the Association to the Foundation.

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation may also provide grants and sponsorships in support of the Association's program activities. During the years ended November 30, 2017 and 2016, the Foundation donated \$91,050 and \$106,250, respectively, for educational grants on behalf of the Association's program activities. Additionally, during the year ended November 30, 2017, the Foundation donated \$80,000 to the Association in order to satisfy the administrative stipulations of a grant agreement.

NOTE 5 - NET ASSET DESIGNATIONS

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

The Association reported internally designated funds for the following purposes at November 30:

	2017	2016
Area Administrative Funds	\$ 571,484	\$ 649,718
Equine Research Fund	44,856	46,904
Building Improvement Fund	15,970	15,970
Course Design	15,072	16,344
	<u>\$ 647,382</u>	<u>\$ 728,936</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSET RESTRICTIONS

Temporarily restricted net assets are available for the following purposes or periods at November 30:

	2017	2016
Roger Hall Education Fund	\$ 46,067	\$ 31,278
Collapsible Fence Study	21,840	61,657
Cardio Research Study	18,143	17,643
ICP II Booster	6,254	7,032
Young Event Horse	2,220	0
Future Horse Event	719	16,852
Volunteer	110	1,360
	<u>\$ 95,353</u>	<u>\$ 135,822</u>

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

NOTE 6 - TEMPORARILY RESTRICTED NET ASSET RESTRICTIONS (CONTINUED)

Net assets were released from the following temporarily restricted donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended November 30, 2017 and 2016:

	2017	2016
Collapsible Fence Study	\$ 60,325	\$ 56,756
Future Event House	16,906	28,704
Roger Hall	14,022	0
Volunteer	3,274	0
Young Event Rider	1,000	5,550
ICP II Booster	778	2,145
Cardio Research Study	0	10,032
	<u>\$ 96,305</u>	<u>\$ 103,187</u>

NOTE 7 - RETIREMENT PLAN

The Association maintains a 401(k) qualified retirement plan covering all employees meeting certain minimum requirements are eligible to participate in the retirement plan. The Association makes matching contributions to the Association based upon 50% of the participants' contributions up to a maximum of 6% of participants' salary deferral contributions. During the years ended November 30, 2017 and 2016, the Association incurred \$38,899 and \$36,368, respectively, in retirement plan expense associated with matching contributions.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Competition and Events: The Association endorses or sponsors various competitive riding events throughout the United States of America. Given the risk associated with eventing, the Association 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 Association has not experienced losses in excess of its insurance coverage in the past.

Group Membership and Drug Testing Agreement: The Association contracts with USA Equestrian Federation for group membership and drug testing services. During the years ended November 30, 2017 and 2016, the Association paid \$175,000, respectively, to the USA Equestrian Federation and reported no accrued liability associated with the contractual agreement.

**UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Hotel Contracts: The Association has hotel contracts for future meetings and conferences. These contracts contain cancellation clauses that require the Association 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 Association may also risk forfeiture of any deposits held by the hotels. The Association also considers cancellation insurance for its annual meeting.

NOTE 9 - ACCRUED SEVERANCE PAY

On February 5, 2008, the Association 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 Association 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 Association 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 Association entered into an employment contract with its current (new) Executive Director. The contract stipulates that if the contract is cancelled, the Association 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 Association will be required to pay the severance pay in any eventuality, for the years ended November 30, 2017 and 2016, the Association has recorded accrued severance pay to the current Executive Director.

At November 30, 2017 and 2016, accrued severance pay related to the former Executive Director amounts to \$84,185 and \$124,880, respectively, and accrued severance pay related to the new Executive Director amounts to \$24,543 and \$19,231, respectively. Total accrued severance pay amounts to \$108,728 and \$144,111 at November 30, 2017 and 2016, respectively.

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

For the Year Ended November 30, 2018	\$ 32,809
2019	32,809
2020	18,567
Thereafter	<u>24,543</u>
	<u>\$ 108,728</u>

UNITED STATES EVENTING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

NOTE 10 - UNRELATED BUSINESS INCOME TAXES AND TAX CONSIDERATIONS

The Association files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Association is no longer subject to examinations by major tax jurisdictions for years ending November 30, 2014 and prior. The Association has no income tax expense for the years ended November 30, 2017 and 2016.

The Association has experienced losses on its unrelated business activities and has a net operating loss carryforward totaling \$38,319 through the year ended November 30, 2017, including utilization of \$24,416 and expiration of \$0 of net operating loss deductions during the year ended November 30, 2017. The remaining net operating loss deductions may be carried forward to offset any taxable income resulting from unrelated business income through the years ending November 30, 2018 - 2031. Management is currently unable to determine if or when the Association may benefit from the carryover deductions and any potential deferred tax asset is, therefore, fully reserved by a valuation allowance.

As such, the accompanying financial statements include no provision for current or deferred income taxes based upon the net operating losses experienced.

The Association includes penalties and interest assessed by taxing authorities in its operating expenses. These total to \$0 for the years ended November 30, 2017 and 2016, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The date to which events occurring after November 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is January 22, 2018, the date the financial statements were available to be issued.

**UNITED STATES EVENTING ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Program Services					Supporting Services			Total
	Competitions and Events	Area Programs	Memberships	Publication and Communication	Educational Programs	Program Services Total	Management and General	Fundraising	
Advertising and Promotion	\$ 15,000	\$ 0	\$ 0	\$ 90	\$ 0	\$ 15,090	\$ 28,370	\$ 0	\$ 43,460
Affiliation Dues	100	0	0	0	0	100	4,301	0	4,401
Area Allocations	65,363	971,128	0	0	0	1,036,491	0	0	1,036,491
Awards, Trophies and Certificates	303,212	0	11,368	0	0	314,580	672	0	315,252
Bank Fees and Charges	0	0	0	0	0	0	128,413	0	128,413
Communications	230	0	0	0	0	230	32,905	0	33,135
Compensation and Benefits	247,958	20,342	165,957	113,202	62,341	609,800	692,838	47,992	1,350,630
Computer and Equipment Lease	6,707	0	1,200	96	0	8,003	56,434	0	64,437
Depreciation	22,450	24,293	6,380	3,141	3,739	60,003	6,667	0	66,670
Grants to Others	20,000	0	0	0	25,000	45,000	0	0	45,000
Group Membership and Drug Testing	175,000	0	0	0	0	175,000	0	0	175,000
Insurance	95,690	0	0	0	16,480	112,170	23,513	0	135,683
Miscellaneous	3,112	0	1,522	190	1,319	6,143	7,964	0	14,107
Occupancy	0	0	0	0	0	0	65,230	0	65,230
Outside Services	70,563	0	11,527	19,919	61,163	163,172	62,253	0	225,425
Postage and Shipping	31,998	0	21,581	29,897	4,052	87,528	5,013	0	92,541
Printing	25,530	0	26,405	65,241	377	117,553	4,310	0	121,863
Professional Fees	0	0	0	0	0	0	19,506	0	19,506
Program Development	750	0	0	0	0	750	1,257	0	2,007
Scholarships	126,751	0	0	0	10,000	136,751	0	0	136,751
Supplies and Materials	5,829	0	6,735	534	750	13,848	17,978	0	31,826
Travel and Meetings	48,752	0	174,706	9,373	30,319	263,150	60,467	0	323,617
	<u>\$ 1,264,995</u>	<u>\$ 1,015,763</u>	<u>\$ 427,381</u>	<u>\$ 241,683</u>	<u>\$ 215,540</u>	<u>\$ 3,165,362</u>	<u>\$ 1,218,091</u>	<u>\$ 47,992</u>	<u>\$ 4,431,445</u>

**UNITED STATES EVENTING ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED NOVEMBER 30, 2016**

	Program Services					Supporting Services			Total
	Competitions and Events	Area Programs	Memberships	Publication and Communication	Educational Programs	Program Services Total	Management and General	Fundraising	
Advertising and Promotion	\$ 16,500	\$ 0	\$ 0	\$ 150	\$ 0	\$ 16,650	\$ 24,629	\$ 0	\$ 41,279
Affiliation Dues	200	0	0	0	0	200	2,185	0	2,385
Area Allocations	64,673	845,702	0	0	0	910,375	0	0	910,375
Awards, Trophies and Certificates	452,135	0	41,833	0	0	493,968	675	0	494,643
Bank Fees and Charges	83	0	0	0	0	83	115,644	0	115,727
Communications	0	0	0	0	0	0	22,660	0	22,660
Compensation and Benefits	268,538	24,800	154,380	98,102	85,689	631,509	620,676	53,826	1,306,011
Computer and Equipment Lease	1,170	0	0	0	0	1,170	59,952	0	61,122
Depreciation	24,076	16,464	8,319	4,284	3,653	56,796	6,311	0	63,107
Group Membership and Drug Testing	175,000	0	0	0	0	175,000	0	0	175,000
Insurance	95,145	0	0	0	16,200	111,345	21,429	0	132,774
Miscellaneous	2,408	0	5,153	170	2,145	9,876	5,777	0	15,653
Occupancy	0	0	0	0	0	0	68,085	0	68,085
Outside Services	74,661	0	500	21,768	57,515	154,444	63,474	0	217,918
Postage and Shipping	33,660	0	0	34,478	1,222	69,360	984	0	70,344
Printing	25,900	0	18,424	63,890	0	108,214	6,587	0	114,801
Professional Fees	0	0	21,585	0	0	21,585	22,464	0	44,049
Program Development	150	0	0	0	0	150	3,202	0	3,352
Scholarships	91,381	0	0	0	0	91,381	0	0	91,381
Supplies and Materials	1,126	0	0	67	371	1,564	21,636	0	23,200
Travel and Meetings	48,772	0	201,659	7,907	30,002	288,340	44,113	0	332,453
	<u>\$ 1,375,578</u>	<u>\$ 886,966</u>	<u>\$ 451,853</u>	<u>\$ 230,816</u>	<u>\$ 196,797</u>	<u>\$ 3,142,010</u>	<u>\$ 1,110,483</u>	<u>\$ 53,826</u>	<u>\$ 4,306,319</u>