UNITED STATES EVENTING ASSOCIATION
AND AFFILIATE

Leesburg, Virginia

CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2023

C O N T E N T S

800.464.1976
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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
United States Eventing Association & Affiliate
Leesburg, Virginia

Opinion

We have audited the accompanying consolidated financial statements of the United States Eventing Association and its affiliate, the USEA Foundation, (the Association), which comprise the consolidated statement of financial position as of November 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of November 30, 2023, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis and is not a required part of the consolidated 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 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 financial statements as a whole.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
September 25, 2024

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidated Statement of Financial Position
November 30, 2023

Assets	
Current Assets	
Cash and cash equivalents	$ 1,569,424
Accounts receivable, net	30,688
Other receivables	2,905
Inventory, net	139,701
Prepaid expenses and other	40,801
	1,783,519
Investments	2,905,242
Property and Equipment	
Land and buildings	1,137,844
Furniture and equipment	362,324
Computer software	974,738
Property and equipment, at cost	2,474,906
Accumulated depreciation	(1,469,757)
Property and equipment, net	1,005,149
Total assets	$ 5,693,910
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 320,096
Accrued payroll and taxes	36,069
Accrued leave liability	104,438
Deferred revenue:	
Membership dues	599,725
Events and sponsorships	40,230
Total liabilities	1,100,558
Net Assets	
Net assets without donor restrictions:	
General operating fund	924,086
Board designated funds	1,262,508
Total net assets without donor restrictions	2,186,594
Net assets with donor restrictions	2,406,758
Total net assets	4,593,352
Total liabilities and net assets	$ 5,693,910

See Notes to Consolidated Financial Statements.

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidated Statement of Activities
For the Year Ended November 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Events income and registrations	$ 1,509,248	$ - -	$ 1,509,248
Membership dues and fees	1,004,025	- -	1,004,025
Contribution and donations	151,941	738,495	890,436
Sponsorships	299,872	- -	299,872
Nonfinancial contributions	300,673	- -	300,673
Educational fees and registrations	74,583	- -	74,583
Administrative and other fees	257,950	- -	257,950
Merchandise inventory	188,138	- -	188,138
Annual meeting income	95,820	- -	95,820
Royalties and other income	46,775	- -	46,775
Publication advertising	24,715	- -	24,715
Miscellaneous income	6,160	- -	6,160
Loss on asset disposal	(7)	- -	(7)
Investment income	124,163	- -	124,163
Net assets released from restriction, education scholarships and grants	391,339	(391,339)	- -
Total revenue and support	4,475,395	347,156	4,822,551
Expense			
Program services			
Competition and events	1,425,798	- -	1,425,798
Educational programs	536,080	- -	536,080
Publications and media	406,688	- -	406,688
Merchandise inventory	137,130	- -	137,130
Total program services	2,505,696	- -	2,505,696
Supporting services			
Management and general	1,800,328	- -	1,800,328
Membership development	340,180	- -	340,180
Fundraising and sponsorships	59,584	- -	59,584
Total supporting services	2,200,092	- -	2,200,092
Total expense	4,705,788	- -	4,705,788
Change in Net Assets	(230,393)	347,156	116,763
Net assets, beginning of year	2,416,987	2,059,602	4,476,589
Net assets, end of year	$ 2,186,594	$ 2,406,758	$ 4,593,352

See Notes to Consolidated Financial Statements.

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidated Statement of Functional Expenses

For the Year Ended November 30, 2023

	Program Services				Total	Supporting Services			Total	
	Competition and Events	**Educational Programs**	**Publications and Media**	**Merchandise Inventory**	**Program Services**	**Management and General**	**Membership Development**	**Fundraising and Sponsorships**	**Supporting Services**	**Total Expenses**
Salaries and wages	$ 475,138	$ 157,012	$ 133,401	$ 38,027	$ 803,578	$ 555,281	$ 116,526	$ 44,158	$ 715,965	$ 1,519,543
Instructor and consultants	89,788	61,029	86,660	1,800	239,277	92,754	3,701	- -	96,455	335,732
Travel and meetings	15,351	54,742	50,555	8,807	129,455	36,049	145,583	- -	181,632	311,087
Scholarship and grants	91,536	232,083	- -	5,000	328,619	93,895	5,000	4,500	103,395	432,014
In-kind sponsorships	300,673	- -	- -	- -	300,673	- -	- -	- -	- -	300,673
Awards and trophies	88,909	758	- -	- -	89,667	- -	28,737	- -	28,737	118,404
Bank and credit card fees	2,525	595	11	4,903	8,034	194,572	14,016	- -	208,588	216,622
Drug and medical fees	175,000	- -	- -	- -	175,000	- -	- -	- -	- -	175,000
Employee benefits	- -	- -	- -	- -	- -	153,828	- -	- -	153,828	153,828
Insurance	92,866	15,360	- -	- -	108,226	29,917	- -	- -	29,917	138,143
Computer expenses	301	- -	693	1,085	2,079	132,425	166	- -	132,591	134,670
Payroll taxes	- -	- -	- -	- -	- -	127,130	- -	- -	127,130	127,130
Professional fees	- -	- -	- -	- -	- -	101,483	- -	- -	101,483	101,483
Postage and handling	3,261	758	92,170	9,031	105,220	877	2,914	- -	3,791	109,011
Printing and reproduction	14,577	1,828	36,628	7,516	60,549	5,615	12,179	- -	17,794	78,343
Supplies and materials	6,616	5,335	2,674	1,396	16,021	10,447	4,929	- -	15,376	31,397
Cost of goods sold	53,380	- -	- -	59,565	112,945	- -	- -	- -	- -	112,945
Occupancy costs	- -	- -	- -	- -	- -	70,183	- -	- -	70,183	70,183
Depreciation expense	13,023	- -	3,834	- -	16,857	75,204	- -	- -	75,204	92,061
Pension contributions	- -	- -	- -	- -	- -	48,749	- -	- -	48,749	48,749
Miscellaneous expenses	1,494	6,580	62	- -	8,136	5,098	1,429	- -	6,527	14,663
Advertising and promotion	- -	- -	- -	- -	- -	32,000	- -	- -	32,000	32,000
Fundraising	- -	- -	- -	- -	- -	6,200	- -	10,926	17,126	17,126
Telephone and internet	- -	- -	- -	- -	- -	21,960	- -	- -	21,960	21,960
Payroll processing fees	- -	- -	- -	- -	- -	4,105	- -	- -	4,105	4,105
Dues and subscriptions	- -	- -	- -	- -	- -	- -	5,000	- -	5,000	5,000
Taxes	- -	- -	- -	- -	- -	2,556	- -	- -	2,556	2,556
Program development	1,360	- -	- -	- -	1,360	- -	- -	- -	- -	1,360
Total expenses	$ 1,425,798	$ 536,080	$ 406,688	$ 137,130	$ 2,505,696	$ 1,800,328	$ 340,180	$ 59,584	$ 2,200,092	$ 4,705,788

See Notes to Consolidated Financial Statements.

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidated Statement of Cash Flows

For the Year Ended November 30, 2023

Cash Flows from Operating Activities	
Change in net assets	$ 116,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	92,061
Realized (gain) on marketable securities	(68,137)
Unrealized loss on marketable securities	18,426
Loss on disposition of assets	7
Changes in assets and liabilities:	
Accounts and other receivables	496,911
Inventory and merchandise	27,822
Prepaid expenses and deposits	16,876
Accounts payable and accrued expenses	(117,552)
Accrued payroll, taxes and leave liability	(110,509)
Deferred and unearned revenue	(29,971)
Net cash provided by operating activities	442,697
Cash Flows from Investing Activities	
Sales of marketable securities	1,499,606
Purchases of marketable securities	(1,802,757)
Purchases of property and equipment	(3,540)
Net cash (used in) investing activities	(306,691)
Net increase in cash and cash equivalents	136,006
Cash and Cash Equivalents, beginning of year	1,433,418
Cash and Cash Equivalents, end of year	$ 1,569,424
Supplemental Non-Cash Investing and Financing Activities, in-kind donations, donated facilities and contributed services	$ 300,673

See Notes to Consolidated Financial Statements.

Note 1. Organization and Operations

Organization: The United States Eventing Association, Inc. (USEA) was founded in 1959 as a nonprofit educational organization 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's headquarters is in Leesburg, Virginia and it is activities are managed by its board of governors. The Association has approximately 13,000 members and affiliates.

Affiliate: The USEA Foundation (the "Foundation") was established in 1991 for the benefit of the United States Eventing Association (USEA). The Foundation was organized as a tax-exempt organization to support the charitable, scientific, literary and educational activities and to perform certain charitable functions and purposes of USEA. The Foundation is governed by a trust agreement and by-laws and managed by an independent board of trustees. The Association provides administrative and management services at the request of the Foundation.

Activities: The Association also carries outs its activities through various Area programs which are administered by locally appointed officials. The Association sponsors various competitions, events, educational programs, and sells educational materials, videos, and publications, and the Foundation also helps underwrite and support the Association programs and initiatives.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The Association prepares the consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expense when obligations are incurred.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts and activities of the Association and its affiliate with all significant inter-company accounts and transactions eliminated. The consolidated entity is referred as the "Association" in the consolidated financial statements and accompanying note disclosures.

Revenue Recognition: The Association recognizes revenue when earned and expense when obligations are incurred. Membership dues are recognized ratably over the respective membership terms. Programs (including educational fees, administrative and other fees and publications), events, sponsorship, and sales income are recognized when the program or event is held or when the goods are services are provided as agreed. Contributions and donations, including in-kind donations and contributed services, are recognized at fair value when an unconditional promise-to-give is both determinable and measurable by the Association.

Income Tax Status: The Association received a favorable tax determination letter from the Internal Revenue Service in August 1981 stating that it is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization under Section 509(a)(1). The Foundation received a favorable tax determination letter from the Internal Revenue Service in May 1992 stating that it is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization under Section 509(a)(1). The Association and Foundation's tax exemption extends to activities related to their tax-exempt purpose to foster and promote equestrian evening. Any unrelated business activities, such as advertising, are subject to taxation.

Cash and Cash Equivalents: For financial statement presentation purposes, the Association considers highly liquid debt instruments with maturities of three months or less, including money market funds, to be cash equivalents. The Association typically has cash balances in excess of federal insurance limits. The Foundation's funds are primarily held in an investment portfolio that is generally not covered by federal insurance and is subject to economic and market risks.

Marketable Securities: Investments in marketable securities consist principally of cash and money market funds, fixed income securities, mutual bond and equity funds, and corporate stock and options reported at estimated fair value with any unrealized gain or loss included as a component of investment income. Fair value is generally determined by quoted market prices or observable quoted market prices for similar securities as of the last trading date of the fiscal year.

Accounts Receivable: The Association's accounts receivable consist of amounts due from the sales of sponsorships, advertisements, registrations and other fees. Accounts receivable are reported at their net realizable value by management periodically reviewing an aging of its receivables for collection purposes and to evaluate the necessity for an allowance for doubtful accounts. There was no bad debt expense or allowance for uncollectible receivables as of November 30, 2023.

Inventory: Inventory consists primarily of educational publications, videos, eventing supplies and materials, and branded logo items purchased for resale. Inventory is also reported at its net realizable value based upon the lower of cost or market on an average cost basis. Management determined that a reserve for obsolescence was unnecessary as of November 30, 2023 and no significant provision for inventory obsolescence was recognized during the fiscal year then ended.

Prepaid Expenses and Deposits: The Association's prepaid expenses and other assets consist primarily of prepaid insurance, subscriptions, service contracts, membership materials, meeting expenses, and refundable security deposits generally recoverable within the subsequent fiscal year.

<u>Property and Equipment</u>: The Association capitalizes property and equipment acquisitions at cost or estimated fair value at the time of donation and depreciates them using the straight-line method of depreciation over their estimated useful lives, which range from 3 to 30 years. Management reviews the carrying value of property and equipment to determine if the carrying value may not be recoverable and an impairment loss has been sustained. Management determined no such impairments occurred during the fiscal year ended November 30, 2023. Depreciation expense was $92,061 during the fiscal year ended November 30, 2023. Expenditures for repairs and maintenance that do not materially extend the useful life of an asset, supplies, and de minimis items are expensed as incurred.

<u>Deferred Revenue</u>: Deferred revenue consists principally of membership dues, event registrations, sponsorships, and costs reimbursements received in advance of the applicable membership period or corresponding meeting or event. Revenue from membership dues is recognized ratably over the applicable membership term. Revenue from meeting registrations, sponsorships, and costs reimbursements is recognized when the meeting or event is held. Sponsorships are either recognized in conjunction with the event being sponsored or ratably over the sponsorship agreement for agreements covering multiple program activities.

<u>Net Assets</u>: The Association classifies its net assets based upon the existence or lack of donor-imposed restrictions. When the Association recognizes contributions that are restricted by the donor or limited as to their use and the Association has not met the donor's restriction by the end of the reporting year, then the Association reports these amounts as net assets with donor restrictions. Restricted net assets in which the Association has met the donor's stipulations during the fiscal year are reflected as net assets released from restriction in the accompanying financial statements. Any restricted amounts received and released from restriction in the same reporting period are reported as net assets without restrictions. The components of the Association's net assets are as follows:

- *Without donor restrictions* – Represents unrestricted resources that are available to support the Association's operations at the discretion of the Association's board of governors. The Association's board of governors may internally earmark funds for specific purposes or earmark the net proceeds from certain events for educational scholarships and grants.
- *With donor restrictions* – Represents contributions and donations and interest earned on restricted investments in which donors and grantors have specified time periods or specific purposes for the funding. Net assets with donor restrictions are released from restriction by either the passage of time on time restricted support or by the Association using the funds in accordance with the donor or grantor's requirements on purpose restricted support.

Contributions and Donations: Contributions and donations are recognized in the period in which an unconditional promise-to-give is known or when a contribution is received, at the earliest point the donation is both determinable and measurable by the Association. Contributions, including any in-kind donations, donated facilities, and contributed services, are measured at fair value and recognized as net assets without donor restrictions or net assets with donor restrictions based upon the existence or lack of donor-imposed restrictions. Net assets with restrictions both received and released during the same reporting year are reflected as net assets without donor restrictions. Net assets with donor restrictions carried over from prior year that are released during the current report period are reflected as net assets released from restriction. Grants are treated as either contributory support or earned income depending upon the nature and terms of the grant agreement and other related awarding documentation, such as the proposals. Any unspent funds on conditional grants is reflected as deferred or unearned revenue.

Nonfinancial Contributions: The Association receives in-kind donations, donated facilities, and contributed services from concerned citizens, community volunteers, board members and other professionals to carry out its activities. Volunteer services that do not create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are not recognized in the accompanying financial statements although they are instrumental to the Association in carrying outs its program activities. In-kind donations, donated facilities, and contributed services meeting the requirements for recognition are recorded at estimated fair value at the time of receipt and allocated to the program and supporting services benefit in accordance with the Association functional expense allocation methodology as further detailed below. The Association may also recognize barter transactions with members similarly. During the year ended November 30, 2023, the Association recognized in-kind sponsorships of $300,673. These amounts were unrestricted and used by the Association for program services.

Fair Value Measurements: The Association established a reporting framework for measuring and disclosing fair value measurements. Fair value measurement disclosures are required for assets and liabilities measured and reported at fair value in the accompanying financial statements.

Management uses a fair value measurement hierarchy based upon the lowest level of any input that is significant to the measurement with Level 3 being the lowest level of recognition. Management also attempts to maximize the use of observable inputs (Level 1 and 2) and minimize unobservable inputs (Level 3). Accordingly, the Association classifies any financial instruments valued at fair value in the following categories:

- *Level 1* – valuation methodology based upon unadjusted quoted prices for identical assets or liabilities traded in an active market that the Association has the ability to access;
- *Level 2* – valuation methodology based upon unadjusted quoted prices for similar assets and liabilities traded in active markets or identical or similar assets and liabilities in inactive markets, observable market inputs for assets and liabilities not traded in active markets, observable market inputs derived or corroborated principally by correlation or other means, or Level 1 instruments where there is a contractual restriction; and
- *Level 3* – valuation methodology is unobservable and significant to the fair value measurement.

As of November 30, 2023, the Association determined that its investments in marketable securities would all be classified as Level 1 financial instruments as fair value is determined by unadjusted published market prices or observable market prices for similar assets and liabilities. Disclosures about estimated fair values and fair value measurements were determined by the Association based upon pertinent market data and other available information as of November 30, 2023. Considerable judgment may be necessary to interpret market and financial data and to develop fair value measurements in certain circumstances, especially in regards to Level 3 financial instruments. Although the Association is unaware of any factors that would significantly affect their estimates, the Association's estimate of fair values and fair value measurements may not be indicative of amounts realized at disposition. The Association's investment portfolio is also subject to market, economic, and other geopolitical risks outside of the Association's control.

Functional Allocation of Expenses: The Association summarizes the cost of providing its various programs and activities on a functional basis in the accompanying financial statements. Accordingly, certain expenses were allocated to the program and supporting services benefited as reflected in the statement of functional expenses.

Expense	Method of Allocation
Salaries and wages	Time and effort
Instructor and consultants	Time and effort
Travel and meetings	Time and effort
Scholarship and grants	Direct costs
In-kind sponsorships	Direct costs
Awards and trophies	Direct costs
Bank and credit card fees	Time and effort
Drug and medical fees	Direct costs
Employee benefits	Time and effort
Insurance	Time and effort
Computer expenses	Direct costs
Payroll taxes	Time and effort
Professional fees	Direct costs
Postage and handling	Time and effort
Printing and reproduction	Time and effort
Supplies and materials	Time and effort
Cost of goods sold	Direct costs
Occupancy costs	Direct costs
Depreciation expense	Direct costs
Pension contributions	Time and effort
Miscellaneous expenses	Time and effort
Advertising and promotion	Direct costs
Fundraising	Direct costs
Telephone and internet	Direct costs
Payroll processing fees	Direct costs
Dues and subscriptions	Direct costs
Taxes	Direct costs
Program development	Direct costs

Advertising Expense: Advertising and promotional expenses are expensed when incurred with no significant amounts deferred to future fiscal years. Advertising and promotion totaled approximately $32,000 during the fiscal year ended November 30, 2023.

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 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 expenditures during the report period. Accordingly, actual results could differ from those estimates.

Note 3. Related Party Transactions

Given the Association's exempt purposes to foster and promoting equestrian eventing, the Association conducts business with companies that may be represented on the Association's board of governors or Foundation's board of trustees. The Association has a conflict of interest policy which requires individuals to disclose any potential conflicts and for individuals to recluse themselves from voting on matters in which apparent or perceived conflicts of interest exist. The Association also provides administrative and management services to the Foundation and the Foundation may hold and invest certain funds on behalf of the Association. During the fiscal year ended November 30, 2023, the Foundation owed the Association $152,219 and also during the fiscal year then ended, the implied value of the administrative and management services provided to the Foundation on a pro bono basis was estimated at approximately $54,412. Both amounts were eliminated as inter-company transactions in the consolidated financial statements.

Note 4. Concentrations of Risk

Financial Instruments: Financial instruments that potentially subject the Association to concentrations of risk consist of deposits with banking institutions that exceed the federal insurance available for such accounts. The Association typically has cash balances in excess of federal insurance. As of November 30, 2023, the Association reported approximately $72,859 in cash balances in excess of federal insurance. The Foundation holds substantially all of its funds in investment portfolios that are not covered by federal depository insurance and are subject to economic and market risks and are subject to risk of loss.

Members and Areas: The Association receives substantial revenue and support from its member organizations in the form of sponsorships, memberships, and registration fees. Also, a significant portion of the Association's accounts receivable are due from member organizations. Additionally, the Association has ten Areas that are geographical regions as defined in the Association's by-laws. The Areas are locally governed, grass-roots educational and competitive riding activities. The Areas maintain their own bank accounts and raise funds in support of their activities. The Association provides some administrative oversight and endorses and promotes certain Area programs. The Area's account for $1,015,619 or 65% of the Association's cash and cash equivalents and $1,015,619 or 79% of the Association's net assets.

Note 5. Liquidity and Availability of Financial Assets

The Association reported no significant debt or other obligations, other than internal board designations and net assets with donor-imposed time or purpose restrictions. The following schedule reflects the Association's financial assets as of November 30, 2023 reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the fiscal year ended November 30, 2023:

Financial assets at end of fiscal year	
Cash and cash equivalents	$ 1,569,424.0
Accounts receivable, net	30,688
Investments	2,905,242
	4,505,354
Less amounts unavailable for general expenditure within one year:	
Donor-imposed time and purpose restrictions	(2,406,758)
Board designated funds	(1,262,508)
	(3,669,266)
Financial assets available to meet cash needs for general expenditure within one fiscal year	$ 836,088

As part of the Association's liquidity management, management may invest any excess funds within short-term cash money market funds or the Foundation invests its funds in an investment portfolio that also consists of fixed income securities, mutual bond and equity funds, and corporate stock and options that are subject to economic and market risk and risk of loss.

Note 6. Investments

The Association reports its investments in marketable securities at fair value in the accompanying consolidated financial statements, with any unrealized gains or losses included as a component of investment income. Fair value is determined by quoted market prices or observable market quotes for similar assets or liabilities as of the last trading date of the fiscal year. The Association's marketable securities consist of the following as of November 30, 2023:

	Cost	Market
Market securities		
Cash and money market finds	$ 616,027	$ 620,244
Fixed income and debt securities	703,191	710,155
Mutual bond and equity funds	686,953	740,717
Corporate stock	900,933	834,126
	$ 2,907,104	$ 2,905,242

Investment income, net consisted of the following for the fiscal year ended November 30, 2023:

Interest and dividends	$ 88,656
Realized gain on sales	68,137
Unrealized (loss) on securities	(18,426)
Investment advisory and broker fees	(14,204)
Investment income, net	$ 124,163

Note 7. Fair Value Measurements

The Association adopted a reporting framework for measuring and disclosing fair value measurements. Fair value measurement disclosures are required for assets and liabilities measured and reported at fair value in the accompanying consolidated financial statements. Management uses a fair value measurement hierarchy based upon the lowest level of any input that is significant to the measurement with Level 3 being the lowest level of recognition. Management also attempts to maximize the use of observable inputs (Level 1 and 2) and minimize unobservable inputs (Level 3). The Association determined that its investments in marketable securities would all generally be classified as Level 1 and 2 financial instruments as fair value is determined by unadjusted published market prices or observable market prices for similar assets and liabilities.

As of November 30, 2023, the Association's financial instruments were categorized as follows:

	Total	Level 1	Level 2	Level 3
Cash and money market funds	$ 620,244	$ 620,244	$ - -	$ - -
Fixed income and debt securities	710,155	710,155	- -	- -
Mutual bond and equity funds	740,717	740,717	- -	- -
Corporate stock	834,126	834,126	- -	- -
Marketable securities	$ 2,905,242	$ 2,905,242	$ - -	$ - -

Note 8. Net Assets

The board designated funds consisted of the following as of November 30, 2023:

Board designated funds:	
Area administrative funds	$ 1,015,619
COVID-19 reserve finds	200,929
Equine research fund	45,960
	$ 1,262,508

Net assets with restrictions consisted of the following as of November 30, 2023:

Net assets with donor restrictions:		
Competition and rider funds	$	1,851,008
Endowment corpus fund		555,750
	$	2,406,758

Net assets with donor restrictions of $391,339 were released during the year ended November 30, 2023 by incurring expenses that satisfied the restricted purposes related to competition and riders.

Note 9. Endowment Funds

Endowment Funds: The Association maintains an endowment fund totaling $555,750 as of November 30, 2023. The Association transferred various endowments to the Association that were designed to ensure the long-term viability of the Association and to provide financial assistance to equestrian eventing and event riders

Endowment funds may be created by internal designations by the board of governors or board of trustees or from contributions restricted by donors for the establishment of the endowments. As such, endowment funds may be reflected in board designated funds within the net assets without donor restrictions or within the net assets with restrictions based upon whether the endowment funds were established by internal designations by the board of governors or from donor restricted contributions or grants. There were no board designated endowment funds as of November 30, 2023.

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the time of donation for the donor-restricted endowment funds absent any explicit donor stipulation to the contrary. Accordingly, the Association classifies as net assets with restrictions the original value of additional donations to the fund, and accumulations of the fund in accordance with the original donors' gift instruments. The board of governors may also report earnings as a component of net assets with restrictions if so restricted by the original donor and unexpended as of the end of the reporting period. The board of governors may additionally earmark earnings from certain net assets with restrictions as board designed funds.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate internally designated or donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor- restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Strategies: The Association has adopted investment and spending policies, approved by the board of trustees, for endowment and other investment assets in an attempt to provide for a predictable stream of funding in support of the endowment purposes while preserving capital and maintaining the purchasing power of the endowment fund assets over the long-term. Accordingly, the investment policy seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, with acceptable risk as set forth in the investment policy approved by the board of governors. As such, the investment policy calls for a well-diversified investment portfolio, including cash and money market funds to provide adequate liquidity, and certificate of deposits, government and corporate bonds, and mutual bond and equity funds that are intended to manage risk and inflation and provide for an overall reasonable market return.

Accordingly, the Association expects its endowment fund assets to produce an average rate of return commensurate with market returns over the long-term. Investment risk is determined by overall investment assets and allocations and is designed to manage overall risk with preservation of capital paramount.

Spending Policies: The Association, at least annually, reviews it financial condition and results of operations and the ongoing needs and initiatives of the Association to establish the spending policy. Other than preservation of the original corpus of the endowment, the Association may award financial support to the Association and to aspiring equestrian riders with limited resources required to prepare and complete international. The Association considers assistance for coaching, specialized training, entry fees, living costs for horse and rider, and travel. In establishing its spending policies, the Association considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which may be required to be held in perpetuity as a component of net assets with restrictions as directed by the original donor or grantor, and the possible effects of risk, inflation, and other economic matters. The Association expects its spending policies to allow its endowment funds to grow annually. This is consistent with the Association’s objective to maintain the purchasing power of the endowment funds as well as provide additional growth from investments and new gifts.

Financial Activity: The Association’s endowment funds and change in endowment funds consist of the following as of and for the fiscal year ended November 30, 2023:

	With Donor Restrictions
Beginning of year, November 30, 2022	$ 555,750
Contributions	- -
Investment income	- -
Expenditures and other	- -
End of year, November 30, 2023	$ 555,750

Note 10. Retirement Plan

The Association maintains a 401(k) defined contribution retirement plan covering all employees meeting minimum eligibility requirements. Under the 401(k) plan, the Association currently makes contributions of 3.5% of eligible employee compensation as a safe-harbor non-elective contribution. Employer contributions to the plan may be subject to vesting. During the fiscal year ended November 30, 2023, the Association incurred retirement plan and matching contribution expense totaling approximately $48,749, including plan administrative expenses.

Note 11. Commitments and Contingencies

<u>Disputes and Disagreements</u>: The Association is party to various legal actions, claims, disputes and disagreements that result from the normal course of operation. The Association is contingently liable for any action not covered by insurance. It is the opinion of management that any such ongoing deliberations either would be covered by insurance or would not have a significant impact upon the financial condition or operation of the Association. As such, no contingent liabilities were accrued by management for such matters in the accompanying consolidated financial statements.

<u>Competition and Events</u>: The Association endorses or sponsors various competitive riding events throughout the United States of America. Given the risk associated with equestrian eventing, the Association periodically reviews the adequacy of its insurance coverage with agents and brokers specializing and insurance such activities. No assurance can be given regarding the adequacy of insurance coverage.

<u>Group Membership and Drug Testing Agreement</u>: The Association entered into a multi-year agreement with USA Equestrian Federation for group membership and drug testing services. The agreement expires in December 2025. Pursuant to the contractual agreement, the Association is committed to pay $175,000 annually for drug testing and other services. During the fiscal year ended November 30, 2023, the Association reported $175,000 in expenses under the group membership and drug testing agreements.

<u>Meetings and Conferences</u>: The Association has contracts with hotels and other venues for future meetings, conferences, and events. These contracts may contain clauses whereby the Association is liable for liquidating damages in the event of cancellation. The amount of damages varies depending upon the date of cancellation, amount of space and number of rooms reserved, and percentage of rooms the hotel is able to resale. Additionally, the Association could forfeit any deposits paid upon cancellation. The Association also considers cancellation insurance depending upon the nature of the contract with the hotel when warranted.

<u>Scholarships and Grants</u>: The Association annually awards scholarship and grants to foster equestrian eventing and rider development. The Association accounts for any such scholarships and grants as conditional commitments per the awarding instruments in which no legal liability or contractual obligation exists with the recipients. A significant portion of the Association’s net assets are also restricted for such scholarships and grants. During the fiscal year ended November 30, 2023, the Association paid scholarships and grants totaling approximately $299,872.

Note 12. Subsequent Events

Subsequent to year-end, the Association has entered into a contract with Interpodia Technology Corp. Interpodia Technology will be the long-term technology partner to the Association. The Association will implement Interpodia's technology (HorseReg equestrian sport management platform). The total contract includes fees of $363,750 over the term of the contract (through 2028).

Management has evaluated subsequent events through September 25, 2024, the date on which these consolidated financial statements were available to be issued. No additional subsequent events have been identified.

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidating Statement of Financial Position

November 30, 2023

See Independent Auditor's Report

Assets	Association (USEA)	Foundation (USEAF)	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 1,569,424	$ - -	$ - -	$ 1,569,424
Accounts receivable, net	30,688	- -	- -	30,688
Other receivables	2,905	- -	- -	2,905
Due from related affiliate	152,219	- -	(152,219)	- -
Inventory, net	139,701	- -	- -	139,701
Prepaid expenses and other	40,801	- -	- -	40,801
	1,935,738	- -	(152,219)	1,783,519
Investments	- -	2,905,242	- -	2,905,242
Property and Equipment				
Land and buildings	1,137,844	- -	- -	1,137,844
Furniture and equipment	362,324	- -	- -	362,324
Computer software	974,738	- -	- -	974,738
Property and equipment, at cost	2,474,906	- -	- -	2,474,906
Accumulated depreciation	(1,469,757)	- -	- -	(1,469,757)
Property and equipment, net	1,005,149	- -	- -	1,005,149
Total assets	$ 2,940,887	$ 2,905,242	$ (152,219)	$ 5,693,910
Liabilities and Net Assets				
Liabilities				
Accounts payable and accruals	$ 320,096	$ - -	$ - -	$ 320,096
Accrued payroll and taxes	36,069	- -	- -	36,069
Accrued leave liability	104,438	- -	- -	104,438
Due to related affiliate	- -	152,219	(152,219)	- -
Deferred revenue:				
Membership dues	599,725	- -	- -	599,725
Events and sponsorships	40,230	- -	- -	40,230
Total liabilities	1,100,558	152,219	(152,219)	1,100,558
Net Assets				
Net assets without donor restrictions				
General operating fund	550,568	373,518	- -	924,086
Board designated funds	1,262,508	- -	- -	1,262,508
Total net assets without donor restrictions	1,813,076	373,518	- -	2,186,594
Net assets with donor restrictions	27,253	2,379,505	- -	2,406,758
Total net assets	1,840,329	2,753,023	- -	4,593,352
Total liabilities and net assets	$ 2,940,887	$ 2,905,242	$ (152,219)	$ 5,693,910

UNITED STATES EVENTING ASSOCIATION AND AFFILIATE

Consolidating Statement of Activities
For the Year Ended November 30, 2023
See Independent Auditor's Report

	Association (USEA)	Foundation (USEAF)	Eliminations	Total
Revenue and Support				
Events income and registrations	$ 1,509,248	$ - -	$ - -	$ 1,509,248
Membership dues and fees	1,004,025	- -	- -	1,004,025
Contribution and donations	98,868	791,568	- -	890,436
Sponsorships	299,872	54,412	(54,412)	299,872
Nonfinancial contributions	300,673	- -	- -	300,673
Educational fees and registrations	74,583	- -	- -	74,583
Administrative and other fees	257,950	- -	- -	257,950
Merchandise inventory	188,138	- -	- -	188,138
Annual meeting income	95,820	- -	- -	95,820
Royalties and other income	46,775	- -	- -	46,775
Publication advertising	24,715	- -	- -	24,715
Miscellaneous income	- -	6,160	- -	6,160
Loss on asset disposal	(7)	- -	- -	(7)
Investment income	- -	124,163	- -	124,163
Total revenue and support	3,900,660	976,303	(54,412)	4,822,551
Expense				
Program services				
Competition and events	1,334,262	91,536	- -	1,425,798
Educational programs	247,175	288,905	- -	536,080
Publications and media	406,688	- -	- -	406,688
Merchandise inventory	137,130	- -	- -	137,130
Total program services	2,125,255	380,441	- -	2,505,696
Supporting services				
Management and general	1,766,207	88,533	(54,412)	1,800,328
Membership development	335,180	5,000	- -	340,180
Fundraising and sponsorships	44,158	15,426	- -	59,584
Total supporting services	2,145,545	108,959	(54,412)	2,200,092
Total expense	4,270,800	489,400	(54,412)	4,705,788
Change in Net Assets	(370,140)	486,903	- -	116,763
Net assets, beginning of year	2,210,469	2,266,120	- -	4,476,589
Net assets, end of year	$ 1,840,329	$ 2,753,023	$ - -	$ 4,593,352