

CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,176,867	\$ 3,334,632
Accounts receivable, net of allowance for doubtful accounts of \$11,037 and \$10,345, respectively	710,641	710,235
Prepaid expenses	127,169	88,638
Prepaid income tax	5,091	6,708
Total current assets	<u>4,019,768</u>	<u>4,140,213</u>
Foundation Investments	<u>376,786</u>	<u>424,941</u>
Investments	<u>13,000,115</u>	<u>14,042,373</u>
Property and Equipment		
Land	374,412	374,412
Building and improvements	2,956,056	2,956,056
Computer hardware	113,587	113,587
Office furniture and fixtures	138,801	138,801
Less: Accumulated depreciation	<u>(1,062,397)</u>	<u>(909,158)</u>
Total property and equipment, net	<u>2,520,459</u>	<u>2,673,698</u>
Other Assets		
Deferred income tax assets, noncurrent	34,550	21,247
Computer software, net of accumulated amortization of \$730,955 and \$663,522, respectively	<u>108,100</u>	<u>170,533</u>
Total other assets	<u>142,650</u>	<u>191,780</u>
Total Assets	<u>\$ 20,059,778</u>	<u>\$ 21,473,005</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Financial Position (Continued)
As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 527,255	\$ 359,818
Due to members	80,735	78,681
Wages, commissions and payroll taxes payable	38,349	26,842
Accrued annual leave	292,316	263,369
Income taxes payable	313	-
Deferred revenue	186,549	-
Advertising received in advance	10,269	11,222
Total current liabilities	<u>1,135,786</u>	<u>739,932</u>
Net Assets		
Without donor restrictions		
Parent company's net assets	17,418,313	18,907,659
Subsidiary's accumulated equity	406,799	719,959
Foundation's net assets	564,707	628,585
With donor restrictions		
Foundation's net assets	534,173	476,870
Total net assets	<u>18,923,992</u>	<u>20,733,073</u>
Total Liabilities and Net Assets	<u>\$ 20,059,778</u>	<u>\$ 21,473,005</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in Net Assets Without Donor Restrictions		
Operating Revenue Without Donor Restrictions		
Membership fees and registrations	\$ 1,735,077	\$ 1,509,333
Annual service fees	771,585	744,182
Total herd enrollment	1,212,565	1,354,410
Advertising income	570,115	614,940
Production income	58,091	62,103
Transfers	79,450	61,966
Subscriptions	1,300	4,349
DNA revenue	1,639,025	1,555,465
Foundation support	91,855	151,701
Other operating revenue	570,734	683,639
	<u>6,729,797</u>	<u>6,742,088</u>
Release of Program Restrictions	<u>58,853</u>	<u>80,044</u>
	6,788,650	6,822,132
Operating Expenses		
Program activities	3,390,299	3,220,136
General and administrative	2,196,096	2,148,463
Fundraising	7,431	-
ASA Publication	984,097	918,131
	<u>6,577,923</u>	<u>6,286,730</u>
Total Operating Expenses	<u>6,577,923</u>	<u>6,286,730</u>
Change in Net Assets from Operations	<u>\$ 210,727</u>	<u>\$ 535,402</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Activities (Continued)
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Other Income (Expense)		
Interest and dividend income	\$ 604,940	\$ 432,659
Unrealized gain (loss) on investments	(2,694,055)	1,846,853
	(2,089,115)	2,279,512
Income (Loss) before provision for income taxes	(1,878,388)	2,814,914
Benefit for Income Taxes	12,004	4,385
Change in Net Assets Without Donor Restrictions	(1,866,384)	2,819,299
Donor Restricted Support		
Foundation support	116,156	87,128
Release of program restrictions	(58,853)	(80,044)
Change in Net Assets With Donor Restrictions	57,303	7,084
Total Change in Net Assets	\$ (1,809,081)	\$ 2,826,383

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Activities	General and Administrative	Fundraising	ASA Publications	Total
Advertising	\$ 279,810	\$ -	\$ -	\$ -	\$ 279,810
Amortization	-	67,433	-	-	67,433
Bad debt	-	(496)	-	691	195
Depreciation	-	153,239	-	-	153,239
Dues and subscriptions	-	11,293	-	-	11,293
Event	21,000	86,222	7,431	-	114,653
Insurance	-	55,997	-	-	55,997
Maintenance and repairs	-	43,153	-	-	43,153
Miscellaneous	-	347	-	165	512
Office expense	-	44,220	-	53,620	97,840
Personnel	824,084	1,479,221	-	364,633	2,667,938
Postage and freight	-	66,545	-	218,621	285,166
Printing	-	50,398	-	-	50,398
Production expenses	-	-	-	289,610	289,610
Professional fees	281,926	62,339	-	47,511	391,776
Property taxes	-	19,375	-	-	19,375
Scholarships and youth	45,795	-	-	-	45,795
Services	1,309,033	6,510	-	-	1,315,543
Telephone	-	30,417	-	-	30,417
Travel	628,651	4,550	-	9,246	642,447
Utilities	-	15,333	-	-	15,333
Total	\$ 3,390,299	\$ 2,196,096	\$ 7,431	\$ 984,097	\$ 6,577,923

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Activities	General and Administrative	Fundraising	ASA Publications	Total
Advertising	\$ 398,622	\$ -	\$ -	\$ -	\$ 398,622
Amortization	-	102,258	-	-	102,258
Bad debt	-	786	-	(737)	49
Depreciation	-	158,966	-	1,866	160,832
Dues and subscriptions	-	11,457	-	-	11,457
Event	37,975	122,270	-	-	160,245
Insurance	-	47,092	-	-	47,092
Maintenance and repairs	-	32,765	-	-	32,765
Miscellaneous	-	466	-	-	466
Office expense	-	30,134	-	49,557	79,691
Personnel	774,961	1,378,898	-	342,121	2,495,980
Postage and freight	-	71,635	-	183,748	255,383
Printing	-	58,336	-	-	58,336
Production expenses	-	-	-	287,981	287,981
Professional fees	254,087	64,770	-	44,689	363,546
Property taxes	-	12,712	-	-	12,712
Scholarships and youth	62,767	-	-	-	62,767
Services	1,207,116	11,935	-	-	1,219,051
Telephone	-	31,127	-	-	31,127
Travel	484,608	-	-	8,906	493,514
Utilities	-	12,856	-	-	12,856
Total	\$ 3,220,136	\$ 2,148,463	\$ -	\$ 918,131	\$ 6,286,730

The Notes to the Consolidated Financial Statements are an integral part of these statements.

This Page Intentionally Left Blank

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Net Assets
For the Years Ended June 30, 2022 and 2021

	Parent Company's Net Assets	Subsidiary's Retained Earnings	Foundation's Net Assets	Total
Net Asset Balances				
June 30, 2020	\$ 15,896,521	\$ 938,730	\$ 1,071,439	\$ 17,906,690
Change in net assets without donor restrictions	3,011,138	(218,771)	26,932	2,819,299
Change in net assets with donor restrictions	-	-	7,084	7,084
Total change in net assets	3,011,138	(218,771)	34,016	2,826,383
Net Asset Balances				
June 30, 2021	18,907,659	719,959	1,105,455	20,733,073
Change in net assets without donor restrictions	(1,489,346)	(313,160)	(63,878)	(1,866,384)
Change in net assets with donor restrictions	-	-	57,303	57,303
Total change in net assets	(1,489,346)	(313,160)	(6,575)	(1,809,081)
Net Asset Balances				
June 30, 2022	\$ 17,418,313	\$ 406,799	\$ 1,098,880	\$ 18,923,992

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 6,628,444	\$ 6,738,054
Cash received from contributions	191,844	242,048
Cash received from fundraising events	7,300	-
Cash paid to suppliers and employees	(5,819,664)	(5,767,818)
Investment income	604,940	432,659
Income taxes paid	13,731	161
Support paid	(168,287)	(173,103)
Cash paid for fundraising events	<u>(7,431)</u>	<u>-</u>
Net cash flows from operating activities	<u>1,450,877</u>	<u>1,472,001</u>
Cash Flows Used By Investing Activities		
Purchases of investments	(1,603,642)	(3,540,329)
Purchases of property and equipment	-	(20,117)
Purchases of computer software	<u>(5,000)</u>	<u>(65,000)</u>
Net cash flows from investing activities	<u>(1,608,642)</u>	<u>(3,625,446)</u>
Net change in cash and cash equivalents	(157,765)	(2,153,445)
Cash and cash equivalents at beginning of year	<u>3,334,632</u>	<u>5,488,077</u>
Cash and cash equivalents at end of year	<u>\$ 3,176,867</u>	<u>\$ 3,334,632</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of change in equities and net assets to net cash flows from operating activities		
Change in equities and net assets	\$ (1,809,081)	\$ 2,826,383
Adjustments to reconcile change in equities and net assets to net cash flows from operating activities:		
Depreciation and amortization	220,672	263,090
Unrealized and realized loss (gain) on investments	2,694,055	(1,846,853)
Changes in operating assets and liabilities:		
Accounts receivable	(406)	141,171
Prepaid expenses	(38,531)	130,253
Prepaid taxes	1,617	(1,990)
Deferred income tax assets	(13,303)	(7,363)
Trade accounts payable	167,437	333,706
Due to members	2,054	32,215
Wages, commissions and payroll taxes payable	11,507	12,284
Accrued annual leave	28,947	44,907
Deferred revenues	186,549	(452,289)
Subscriptions received in advance	-	(1,199)
Advertising received in advance	(953)	(130)
Income taxes payable	313	(2,184)
Total adjustments	<u>3,259,958</u>	<u>(1,354,382)</u>
Net cash flows from operating activities	<u>\$ 1,450,877</u>	<u>\$ 1,472,001</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

This Page Intentionally Left Blank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Activities

The American Simmental Association (the "Association", the "Parent", "ASA") is a Montana nonprofit corporation. The primary objectives of the Association are the development, registration and promotion of the Simmental and Simbrah breeds of cattle in the United States. During 1987, the Association formed a wholly-owned for-profit subsidiary, ASA Publication, Inc., a Montana corporation. ASA Publication, Inc. (the "Subsidiary") is a publishing company promoting and advertising the Simmental and Simbrah breeds. During 1995, the Association formed a nonprofit organization, the American Simmental/Simbrah Foundation, Inc. (the "Foundation" and the "Affiliate"). The Foundation was organized to stimulate and support research, youth programs and education in the beef industry.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the United States of America ("GAAP"), as codified by the Financial Accounting Standards Board ("FASB").

The accompanying consolidated financial statements include the accounts of the parent company, American Simmental Association, its wholly owned subsidiary, ASA Publication, Inc., and affiliate, American Simmental/Simbrah Foundation, Inc. The parent company has the power to appoint board members of the Foundation and has effective control. Intercompany transactions and balances have been eliminated in the presentation of the consolidated financial statements.

Classification of Net Assets

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Foundation and changes therein are classified as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Board of Trustees may designate net assets without donor restrictions for specific purposes or programs.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association or Foundation and/or the passage of time.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

ASA has the ability to suspend membership if accounts are not paid so it does not provide for an allowance for doubtful accounts. ASA Publication, Inc., however, does provide for an allowance. This estimate is based on historical collection experience and a review of the current status of accounts receivable.

Accounts receivable are uncollateralized customer obligations under normal trade terms requiring payment within 30 days from the invoice date. It is the policy of ASA Publication, Inc. to assess interest on accounts receivable 30 days past due at a rate of 1.5% per month. If accounts receivable related to the advertising of a sale are paid within 60 days of the sale date, interest charges are reversed. Management individually reviews all delinquent accounts receivable balances. Accounts are written off against the allowance when deemed uncollectible. Recoveries of accounts previously written off are recognized as income when received.

As of July 1, 2020, accounts receivable that fall under Accounting Standards Update (ASU) 2014-09 (Topic 606) were \$107,012, net of allowance for doubtful accounts of \$11,540.

Investments

Investments in marketable debt and equity securities with readily determinable fair values are stated at their fair values based on quoted prices in active markets. Unrealized gains and losses are included in the change in equities or net assets.

Property and Equipment

Property and equipment acquisitions and expenditures for betterments, with a cost of \$2,000 or greater and an expected life of at least two years, are recorded at cost. Depreciation of property and equipment is computed using the straight-line method based on estimated useful lives ranging from three to thirty-one and a half years.

Computer Software

Computer software costs are amortized using the straight-line method over the estimated useful life of the software, ranging from four to seven years.

Deferred Revenue

Recognition of revenue associated with work-in-progress at June 30, 2022 and 2021 is deferred in the accompanying consolidated financial statements until services have been performed.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. GAAP established a fair value hierarchy which prioritizes the valuation inputs into three broad levels:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets without restrictions or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The Association and Foundation's policy for determining the timing of significant transfers between levels 1, 2 and 3 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Mutual funds: Valued at the net asset value (NAV) of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association and Foundation believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Membership Dues and Annual Service Fees

There is a one-time setup fee of \$50 for all new adult members. In addition, there is an annual service fee of \$110, based on the Association's fiscal year of July 1 – June 30. If a member joins ASA in the second half of the fiscal year (January 1 – June 30), the member is charged \$55, half of the service fee. The Association also offers junior memberships which charge an annual service fee of \$40. Annual service fees are billed to active members at the start of the fiscal year on July 1.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Foundation Support

Contributions of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from program restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Affiliate reports that support as without donor restrictions.

Total Herd Enrollment

Total Herd Enrollment (“THE”) is a reporting program, designated for seedstock and commercial members, that provides production, longevity, and fertility performance data on the whole cow herd. Revenue is recognized in the period in the time of herd enrollment each year, during the spring and/or fall.

Transfers

The Association performs online transfer services, matching buyer information to ASA memberships, completing the transfers and updating owner of record. Revenue is recognized at the time of transfer submittal request.

DNA revenue

ASA offers various DNA testing services to members, including genetic defect testing, genomic data and parent validation. Revenue is recognized at the time of DNA kit purchase.

Advertising Income and Production Income

The Association’s services that fall within the scope of ASU 2014-09 (Topic 606) are presented within advertising income and production income on the consolidated statements of activities. Advertising and production sales are considered exchange transactions in which members, non-members, and corporate entities may advertise and promote their products in the Association’s print media, digital platforms, booths and presentations. Advertising sales are recorded in the month of issue and production sales are recognized as income when the promotion services have been performed. Payments received in advance are recorded as deferred revenue and classified as a current liability. As of July 1, 2020, advertising income received in advance was \$11,352.

Advertising Costs

Advertising costs are charged to expense when incurred.

Functional Allocation of Expenses

Functional expenses are allocated according to the nature of each expense for the Parent Company and the Affiliate Company. The for-profit Subsidiary Company’s expenses are categorized independently as operating expenses.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Certain expenses relate directly to program activities such as travel for the Parent Company and regional classic support expenses and scholarships paid for the Affiliate Company. Fundraising expense is the only expense directly related to fundraising. Other expenses, such as personnel, professional fees, services, advertising, event, and accounting expenses were broken out specifically between program activities and general and administrative based on the nature of the expenses relating directly to the respective category.

The remaining expenses, amortization, bad debt, depreciation, dues and subscriptions, insurance, maintenance and repairs, miscellaneous, office, postage and freight, printing, property taxes, telephone, and utilities were solely general and administrative.

Income Taxes

The Association is exempt from income taxes pursuant to Section 501(c)(5) of the Internal Revenue Code. The Foundation is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's or Foundation's tax-exempt purpose is subject to taxation as unrelated business income. ASA Publication, Inc. does not file a consolidated federal income tax return with the Association, as the Association is a tax exempt corporation.

With respect to ASA Publication, Inc., income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of current and deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the statutory income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. When applicable, a valuation allowance is established to reduce any deferred income tax asset when it is determined that it is more likely than not that some portion of the deferred income tax asset will not be realized.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through January 10, 2023, the date which the consolidated financial statements were available for issue.

2. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - Association	\$ 2,141,137	\$ 2,238,561
Cash and cash equivalents - Subsidiary	284,589	368,770
Cash and cash equivalents - Foundation	751,141	727,301
	<u>\$ 3,176,867</u>	<u>\$ 3,334,632</u>

The Association, the Subsidiary, and the Foundation maintain cash balances at several banks. The non-interest and interest bearing accounts were insured up to \$250,000 by the FDIC. For the year ended June 30, 2022, the Association, the Subsidiary and the Affiliate held \$1,421,007, \$26,534, and \$258,012, respectively, in excess of the federally insured limits. For the year ended June 30, 2021, the Association, the Subsidiary and the Affiliate held \$1,488,561, \$43,816, and \$227,301 in excess of the federally insured limits.

3. Investments

The Association and Foundation maintain investments with a financial institution under the management of third parties in accordance with its investment policy.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

3. Investments (Continued)

The following tables represents the Association's and Foundation's investment assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Mutual funds				
Conservative Growth	\$ 6,219,763	\$ 6,219,763	\$ 6,619,096	\$ 6,619,096
Growth	5,415,013	5,415,013	5,883,441	5,883,441
Income	1,742,125	1,742,125	1,964,777	1,964,777
Total investments at fair value	<u>\$ 13,376,901</u>	<u>\$ 13,376,901</u>	<u>\$ 14,467,314</u>	<u>\$ 14,467,314</u>

4. Due to Members

Due to members consists of member accounts with credit balances. Most of these balances are due to voluntary deposits placed by the members for future services. Other credit balances are due to incomplete services in progress. Pursuant to Rule V of the Association's Rules and Bylaws, any request for services must be accompanied by the appropriate fee payment. Due to incomplete documents, unqualified animals and other reasons, the Association may not be able to render the service requested. If the service cannot be rendered, the fees are credited to the member's account and the papers returned to the member for appropriate action. It is the Association's policy to retain such fees as a credit in the member's account unless a refund is requested.

5. Deferred Revenues

Deferred revenues as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Total herd enrollment payments for fall	\$ 161,934	\$ -
DNA testing kits	24,615	-
	<u>\$ 186,549</u>	<u>\$ -</u>

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

6. Operating Lease Obligations

ASA Publications, Inc. entered into a five year operating lease agreement for a copier in January 2014. In February 2018, the lease terms were changed and monthly payments decreased from \$585 to \$475. Future minimum lease payments due under the new lease are \$3,800 for fiscal year 2023. Rent expense for the fiscal years ended June 30, 2022 and 2021 was \$5,700 and \$5,700, respectively. This expense is classified in maintenance and repairs.

7. Foundation Donor Restricted Net Assets

The Foundation's net assets with donor restrictions are restricted for the following programs:

Program restrictions:	<u>2022</u>	<u>2021</u>
AJSA - General	\$ 5,154	\$ 10,474
Bob Walton Scholarship	29,606	18,606
Eastern Regional	72,439	81,214
Education - General	35,723	35,723
Fall Focus - Educational	26,750	30,850
JW Brune Scholarship	6,000	14,000
Legacy Lot	7,300	-
Merit Awards	143,988	71,243
National Classic Facility	-	26,185
National Classic Golf	-	663
Research & Technology	60,626	58,126
Ronald G Miller Memorial	19,003	-
Sammi Long Memorial	48,558	54,073
Scholarships	2,734	2,734
Steer Profitability Competition	1,100	1,100
Summit Youth Fund	17,003	15,803
Youth - General	58,189	56,076
Total	<u>\$ 534,173</u>	<u>\$ 476,870</u>

8. Retirement Plan

The Association has a contributory retirement plan covering substantially all of its permanent employees. ASA Publication, Inc., through the Association, sponsors a contributory retirement plan that covers employees who work at least 500 hours per calendar year. Contributions are determined annually by the Board of Trustees and totaled \$113,701 and \$112,029 for the years ended June 30, 2022 and 2021, respectively.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

9. Income Taxes

The Association's provision for income taxes differs from applying the statutory U.S federal income tax rate to income before taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes. A provision for income taxes has been presented in the accompanying consolidated financial statements as a result of the operations of ASA Publication, Inc. and the unrelated business activities of the Association.

The components of the benefit (provision) from continuing operations for income taxes for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Federal	\$ (1,328)	\$ (1,665)
State	(477)	(585)
Total current	<u>(1,805)</u>	<u>(2,250)</u>
Deferred income tax expense		
Federal	10,067	5,572
State	3,236	1,791
Total deferred	<u>13,303</u>	<u>7,363</u>
Total provision for income taxes	<u>\$ 11,498</u>	<u>\$ 5,113</u>

Deferred income tax assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred income tax assets		
Accrued annual leave	\$ 9,188	\$ 10,089
Allowance for doubtful accounts	3,063	2,871
Net operating loss	22,299	8,287
	<u>\$ 34,550</u>	<u>\$ 21,247</u>

The deferred tax provisions as of June 30, 2022 and 2021 relate to the cumulative timing differences for accrued annual leave, the allowance for doubtful accounts, and net operating loss. The Subsidiary did not make estimated payments in fiscal year 2022 or 2021, however there were overpayments of \$3,493 for federal and \$1,226 for state applied forward from fiscal year 2020 to fiscal year 2021. At June 30, 2022, the Subsidiary had overpayments of \$3,493 for federal and \$1,126 for state included in Prepaid Income Taxes. At June 30, 2021, the Subsidiary had overpayments of \$3,493 for federal and \$1,226 included in Prepaid Income Taxes.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

9. Income Taxes (Continued)

The Association paid estimates of \$1,015 for federal and \$395 for state for fiscal year 2022. Additionally, the Association had an overpayment from the prior year of \$505 for state taxes. The Association paid estimates of \$1,040 for state taxes for fiscal year 2021. At June 30, 2022, The Association had an overpayment of \$473 for state included in Prepaid Income Taxes and a balance due of \$313 for federal included in Income Taxes Payable. At June 30, 2021, the Association had an overpayments \$505 for state included in Prepaid Income Taxes.

Management has determined no valuation allowance related to deferred tax assets is necessary at June 30, 2022 and 2021. The deferred tax asset for accrued annual leave and the allowance for doubtful accounts is expected to be realized. The net operating losses may be carried forward indefinitely. The tax net operating loss from the year ended June 30, 2021 is \$29,862 and the loss from the year ended June 30, 2022 is \$50,495.

The reconciliation of income tax attributable to operations computed at the U.S. Federal statutory income tax rate of 21% for and state tax rate of 6.75% to income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Statutory federal rate	(10,067)	(5,604)
State income taxes	(3,236)	(1,801)
MT minimum filing fee	50	50
Meals and entertainment	-	43
Rate adjustment/other/tax credits	-	(1)
UBIT from related organization	<u>1,755</u>	<u>2,200</u>
Actual tax	<u>\$ (11,498)</u>	<u>\$ (5,113)</u>

Total provision for income tax expense for the years ended June 30, 2022 and 2021 does not agree to the face of the consolidated financials as amounts due/refunded or overpayments applied from prior years of \$506 and \$728, respectively, were also included in the amounts on the consolidated statements of activities.

10. Customers and Credit Concentrations

Substantially all of ASA Publication, Inc.'s subscription revenue, and a portion of its advertising and catalog and brochure revenue are derived from sales to the Association. The intercompany revenue has been eliminated and is not reflected in the accompanying consolidated financial statements. Except for these transactions, no ASA Publication customer accounted for 10% or more of the net revenues earned during the years ended June 30, 2022 and 2021. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the customer base. Since the Association's objective is the development, registration, and promotion of Simmental and Simbrah breeds of cattle, fluctuations in the cattle market can affect revenue and receivables.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

11. Liquidity and Availability of Resources

Financial assets available for general expenses (without donor or other restrictions limiting their use), within one year of the consolidated statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,176,867	\$ 3,334,632
Accounts receivable, net	710,641	710,235
Foundation investments	376,786	424,941
Investments	13,000,115	14,042,373
Less: With donor restrictions	<u>(534,173)</u>	<u>(476,870)</u>
Total Financial Assets Available	<u>\$ 16,730,236</u>	<u>\$ 18,035,311</u>

The Association has various sources of liquidity at its disposal, including cash and investments. The Association strives to maintain sufficient operating reserves. This allows the Association to appropriately respond to emergency or unforeseen situations. Furthermore, reserve funds allow the Association to maintain needed cash flow throughout the fiscal year. The Association invests excess cash in accordance with its investment policy in order to manage investment risk and optimize investment returns within acceptable parameters.

12. Recent Accounting Pronouncements

The FASB issued Accounting Standard Update (“ASU”) 2016-02: *Leases, Topic 842*, in February 2016. This ASU requires the recognition of lease assets and liabilities in the financial statements as a “right-to-use” asset and a lease liability. This ASU is effective for periods beginning after December 15, 2021. Early implementation is permitted; however, the Association elected not to early implement and is currently evaluating the potential impacts to its consolidated financial statements.