

Arkansas Livestock Show Association

**Financial Statements
December 31, 2020**

(With Independent Auditor's Report Thereon)

Arkansas Livestock Show Association

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

The Executive Committee
Arkansas Livestock Show Association
Little Rock, Arkansas

We have audited the accompanying financial statements of the **Arkansas Livestock Show Association** (the Association), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
March 31, 2022

Financial Statements

Arkansas Livestock Show Association

Statement of Financial Position December 31, 2020

ASSETS

Cash and cash equivalents	\$ 660,481
Accounts receivable	85,716
Property and equipment, net	3,079,027
Endowment assets	33,885
Prepaid expenses	32,764
Other assets	<u>6,447</u>

TOTAL ASSETS \$ 3,898,320

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 62,274
Accrued payroll and related liabilities	46,642
Deferred revenue	280,000
Scholarships payable	163,675
Notes payable	<u>89,485</u>
Total Liabilities	<u>642,076</u>

Net Assets

Without donor restrictions	3,178,551
With donor restrictions	<u>77,693</u>
Total Net Assets	<u>3,256,244</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,898,320

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Activities Year Ended December 31, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue, Support, Gains and Reclassifications

Parking	\$ 23,600
Concessions	125,674
Entry fees	107,134
Exhibitor fees	575
Rental	349,743
Sponsorships	81,521
Contributions	340,125
State funding	1,000,746
In-kind contributions	10,000
Other income	273,281
Total Revenue, Support, Gains and Reclassifications	<u>2,312,399</u>

Expenses

Arkansas State Fair and other events	2,022,886
Management and general	289,132
Fundraising	66,479
Total Expenses	<u>2,378,497</u>

Decrease in Net Assets without Donor Restrictions (66,098)

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions	<u>37,693</u>
Increase in Net Assets with Donor Restrictions	<u>37,693</u>

DECREASE IN TOTAL NET ASSETS (28,405)

NET ASSETS, BEGINNING OF YEAR 3,284,649

NET ASSETS, END OF YEAR \$ 3,256,244

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Functional Expenses Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Arkansas State Fair and Other Events</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and related expenses	\$ 634,378	\$ 68,666	\$ 6,557	\$ 709,601
Arkansas State Fair entertainment	11,667	-	-	11,667
Arkansas State Fair and other fair expenses	21,207	9,446	-	30,653
Advertising and promotions	7,128	23,711	-	30,839
Sponsorship commission and expenses	-	-	59,260	59,260
Concessions and concessions commission	27,249	-	-	27,249
Temporary labor and event staff	177,119	7,734	-	184,853
Creative arts and livestock premiums	347	-	-	347
Junior livestock sales and other livestock expenses	174,886	-	-	174,886
Scholarships	10,500	-	-	10,500
Competitive events	63,938	-	-	63,938
Sales tax	25,299	-	-	25,299
Equipment, maintenance, repairs, and supplies	277,796	27,740	-	305,536
Insurance	140,970	10,024	662	151,656
Office	15,688	74,936	-	90,624
Professional fees	-	19,938	-	19,938
Bank and credit card fees	14,094	698	-	14,792
Dues, subscriptions, and licenses	-	18,114	-	18,114
Utilities	208,835	10,991	-	219,826
Other expenses	5,632	-	-	5,632
Meals and entertainment	-	6,904	-	6,904
Uniforms	3,325	-	-	3,325
Depreciation	194,366	10,230	-	204,596
Interest	8,462	-	-	8,462
Total Expenses	<u><u>\$ 2,022,886</u></u>	<u><u>\$ 289,132</u></u>	<u><u>\$ 66,479</u></u>	<u><u>\$ 2,378,497</u></u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Cash Flows Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in Total Net Assets	\$ (28,405)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities	
Depreciation	204,596
Changes in operating assets and liabilities:	
Accounts receivable	(31,780)
Prepays expenses	914
Change in value of endowment assets	(1,354)
Accounts payable	(226,739)
Accrued payroll and related liabilities	(11,419)
Deferred revenue	79,799
Scholarships payable	(5,875)
Net Cash Used by Operating Activities	<u>(20,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(444,196)</u>
Net Cash Used by Investing Activities	<u>(444,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	107,552
Payments on notes payable	<u>(18,067)</u>
Net Cash Provided by Financing Activities	<u>89,485</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(374,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,035,455</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 660,481</u></u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

Arkansas Livestock Show Association (the Association) was created by articles of association and was incorporated in compliance with the provisions of the laws of the state of Arkansas. The Association was formed in 1938 to promote interest in the development of the livestock industry in Arkansas. The Association's headquarters are located in Little Rock, Arkansas. The Association consists of individuals connected with or interested in the livestock and fair industry in Arkansas. The Board of Governors consists of representatives nominated by statewide associations actively involved in the Association and members at large or individuals interested in the Association and Arkansas State Fair exhibitions.

The Chairman, President, Vice President, and Secretary-Treasurer are elected by the Board of Governors. The Executive Committee is appointed by the Chairman from the Board of Governor's members and voted on by the Board of Governors. The President shall be the Chief Operating Officer and be hired by the Executive Committee.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Association reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

At times during the year ended December 31, 2020, cash and cash equivalents balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) and were not collateralized. In the event of an institutional failure, the excess over FDIC insurance limits may not be recoverable. For the year ended December 31, 2020, the Association's balances maintained at multiple financial institutions totaled \$715,970. Of these balances, \$464,083 was not insured or collateralized at December 31, 2020.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association uses the allowance method to estimate uncollectible receivable balances. The Association does a specific review of the receivables to determine the necessary allowance. Uncollectible accounts receivable are written off after all collection efforts have been exhausted and it has been determined that they will not be collected. Management has determined no allowance was necessary as of December 31, 2020.

Property and Equipment

Property and equipment are recorded at historical cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The Association capitalizes property and equipment costing \$2,500 or more.

Revenue and Revenue Recognition

The Association recognizes contributions when cash or an unconditional promise to give is received or when the Association becomes aware that a promise to give has been made, whichever occurs first. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a 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 statement of activities as "net assets released from restrictions."

In-kind contributions have been reported as income in the statement of activities for voluntary donations of services when those services create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills, and which would typically be purchased if not provided by donation. In-kind contributions consisted primarily of advertising and equipment usage and totaled approximately \$10,000 for the year ended December 31, 2020.

The Association accounts for a contract with a customer when it has written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection. The Association recognizes revenue as control of products and services are transferred to customers, which is generally upon delivery of products or at the time services are provided, such as entry into the Arkansas State Fair. Payments are due as per contract terms and do not contain a significant financing component. Revenue is recorded net of applicable sales taxes.

The Association is agent for certain concession services and the carnival services at the Arkansas State Fair. Since the Association acts as an agent, revenue is recognized on a net basis.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

The Association reported \$200,000 in deferred revenue as of January 1, 2020, and December 31, 2020, as more fully discussed in Note 11. In addition, as of December 31, 2020, a sponsorship of \$80,000 for the Arkansas State Fair was reported as deferred revenue due to the cancellation of the event in 2020 and therefore the related performance obligations of the sponsorship was not met.

Income Tax Status

The Association is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

Accounting standards require the Association to evaluate tax positions and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Association has analyzed the tax positions taken and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements.

Functional Expenses

The Association allocates its expenses on a functional basis between the Arkansas State Fair and other events and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. Personnel related expenses are allocated based on an estimate of actual time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

Advertising Expense

Advertising, which is expensed as incurred, totaled approximately \$31,000 for the year ended December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year and is effective for the Organization on January 1, 2022. Management of the Association has not yet determined the significance of the impact of implementation of this standard or any related amendments.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Association has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash and cash equivalents	\$ 660,481
Receivables	<u>85,716</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 746,197</u>

NOTE 4: ENDOWMENTS

The Association's spending is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was approved by the Uniform Law Commission to serve as a guideline to states to use in enacting legislation. The state of Arkansas has enacted UPMIFA, which requires nonprofit foundations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions.

During the years ended December 31, 2006 and 2007, the Association entered into agreements with the Arkansas Community Foundation (ACF) to create a scholarship endowment fund in honor of E.M. Arnold (the Arnold Fund) and in honor of Jim Pledger (the Pledger Fund), respectively, to aid and assist the Association in carrying out its purpose. Pursuant to the terms of the agreements, ACF is granted all rights, title and interest to assets accumulated in the funds, which is held in ACF's pooled investment portfolio. Generally, 4% of the average balance of the funds are available for distribution on an annual basis in accordance with the current ACF spending policy.

The Association invests the assets of the Arnold Fund and Pledger Fund in a pooled fund managed by ACF. The Association's interest in the pooled fund is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets. As of December 31, 2020, the funds are considered underwater by approximately \$6,000.

Changes in the Arnold Fund as of December 31, 2020, are as follows:

Endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 16,345
Investment return, net	1,258
Distribution of assets	<u>(500)</u>
Endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 17,103</u>

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 4: ENDOWMENTS (Continued)

Changes in the Pledger Fund as of December 31, 2020, are as follows:

Endowment funds held at the Arkansas	
Community Foundation, beginning of year	\$ 16,186
Investment return, net	1,217
Distribution of assets	<u>(621)</u>
Endowment funds held at the Arkansas	
Community Foundation, end of year	<u><u>\$ 16,782</u></u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 consists of the following:

Buildings and improvements	\$ 10,172,346
Furniture and equipment	934,847
Automobiles	77,805
Website	25,000
Less accumulated depreciation	<u>(9,645,914)</u>
	1,564,084
Land and land improvements	<u>1,514,943</u>
	<u><u>\$ 3,079,027</u></u>

NOTE 6: NOTES PAYABLE

Notes payable consists of the following as of December 31, 2020:

\$30,880 note payable to a financial institution, payable in monthly installments of \$533, including 7.34% interest, maturing January 2026, secured by a vehicle	\$ 27,440
\$76,672 note payable to a financing company, payable in monthly installments of \$1,781, including 5.54% interest, maturing February 2024, secured by equipment	<u>62,045</u>
	<u><u>\$ 89,485</u></u>

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 6: NOTES PAYABLE (Continued)

Total scheduled principal payments at December 31, 2020 are as follows:

2021	\$	22,991
2022		24,372
2023		25,838
2024		9,210
2025		6,544
Thereafter		530
		<hr/>
	\$	89,485
		<hr/>

Interest expense paid for the year ended December 31, 2020, totaled \$7,921.

In April 2020, the Association executed a loan agreement with a financial institution under the Payroll Protection Program for approximately \$227,000. As of the year ended December 31, 2020, the loan was forgiven and as such the loan is recognized as other income on the statement of activities.

NOTE 7: LINE OF CREDIT

During the year ended December 31, 2020, the Association was party to a \$100,000 line of credit agreement with a financial institution. This line of credit is secured by real property held by the Association. Advances on the line of credit are payable on demand and subject to an interest rate of 5.75%. During the year ended December 31, 2020, there were no transactions or balances due related to this line of credit.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

The following provides the amounts comprising net assets with donor restrictions as of December 31, 2020:

Subject to purpose:		
Capital projects	\$	37,693
Subject to perpetuity:		
Scholarships		40,000
		<hr/>
Total net assets with donor restrictions	\$	77,693
		<hr/>

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 9: LEASE AGREEMENTS

The Association leases land under a 50-year operating lease agreement with the state of Arkansas. Lease payments are \$1 a year through December 31, 2055. Due to the undeterminable fair market value of this lease, no income or expense related to the below market rent on this lease is recorded in the accompanying statement of activities.

The Association leases a portion of land to an unrelated party. The income from this lease is included as other income in the accompanying statement of activities. The lease allows for four additional extensions of the lease terms at five-year terms per extension. The first five-year extension was effective on January 1, 2019, and the lease under this extension will expire on December 31, 2023, unless further extension options are utilized.

NOTE 10: EMPLOYEE BENEFIT PLAN

The Association sponsors a 401(k) retirement plan covering substantially all full-time employees. Eligible employees may contribute up to Internal Revenue Code limits. The Association makes a matching contribution of 100% up to 1.25% of each employee's compensation and may make discretionary nonmatching contributions. The amount contributed for the year ended December 31, 2020 was approximately \$5,000.

NOTE 11: CONCENTRATIONS

During the year ended December 31, 2020, the Association received \$1,000,746 from the State of Arkansas. These funds represent 43% of total support and revenues for the year ended December 31, 2020. Of this amount \$887,908 represents city county tourist facility aid funds that were appropriated and approved by the Arkansas Legislature.

The Association also receives a significant amount of support and revenues from the Arkansas State Fair event. However, due to the COVID-19 pandemic, the 2020 Arkansas State Fair was cancelled.

In April 2018, the Association and the City of Little Rock (the City) reached a written agreement regarding funds available to the Association in connection with a 3.8% capital sales tax that was levied in 2011. The agreement states the City will provide funds up to \$3,000,000 through December 31, 2022, to the Association for expansion and capital improvement of facilities that can enhance the Arkansas State Fairgrounds. The agreement requires the Association to remain at the current location through 2027, or the Association shall repay the City any part of the funds paid from this agreement. Prior to the year ended December 31, 2020, approximately \$1,200,000 had been received. During the year ended December 31, 2020, additional funds of approximately \$283,000 was received from the City representing approximately 13% of total support and revenues.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2020

NOTE 11: CONCENTRATIONS (Continued)

During the year ended December 31, 2016, the Association entered into a five-year agreement with a new carnival provider for the Arkansas State Fair, beginning with the 2017 Arkansas State Fair. In connection with the agreement, the Association received a one-time \$500,000 bonus, which is recognized as revenue over the five-year contract term beginning 2017. Due to the cancellation of the 2020 Arkansas State Fair, the agreement was extended for one year until 2022 with deferred revenue of \$200,000 recorded in the statement of financial position.

NOTE 12: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the COVID-19 pandemic on the Association and financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated events through March 31, 2022, the date the financial statements were available to be issued.

In April 2021, the Association was subject to a cyber-attack. As of the date of the independent auditor's report, management believes all financial and nonfinancial information has been adequately restored.