

Arkansas Livestock Show Association

**Financial Statements
December 31, 2021 and 2020**

(With Independent Auditor's Report Thereon)

Arkansas Livestock Show Association

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INDEPENDENT AUDITOR'S REPORT

The Executive Committee
Arkansas Livestock Show Association
Little Rock, Arkansas

Opinion

We have audited the financial statements of the **Arkansas Livestock Show Association (the Association)**, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arkansas Livestock Show Association as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audits. 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 for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 U.S. GAAS 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 U.S. GAAS, 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.

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

Little Rock, Arkansas
September 13, 2022

Financial Statements

Arkansas Livestock Show Association

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,571,374	\$ 660,481
Accounts receivable	88,722	85,716
Property and equipment, net	3,138,648	3,079,027
Endowment assets	36,705	33,885
Prepaid expenses	29,077	32,764
Other assets	<u>5,677</u>	<u>6,447</u>
TOTAL ASSETS	<u><u>\$ 4,870,203</u></u>	<u><u>\$ 3,898,320</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 171,986	\$ 62,274
Accrued payroll and related liabilities	45,770	46,642
Deferred revenue	100,000	280,000
Scholarships payable	32,875	163,675
Notes payable	<u>43,593</u>	<u>89,485</u>
Total Liabilities	<u>394,224</u>	<u>642,076</u>
Net Assets		
Without donor restrictions	4,435,979	3,178,551
With donor restrictions	<u>40,000</u>	<u>77,693</u>
Total Net Assets	<u>4,475,979</u>	<u>3,256,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,870,203</u></u>	<u><u>\$ 3,898,320</u></u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, Gains and Reclassifications			
Ticket sales	\$ 1,136,425	\$ -	\$ 1,136,425
Parking	284,679	-	284,679
Carnival	1,210,440	-	1,210,440
Concessions	676,257	-	676,257
Entry fees	181,316	-	181,316
Exhibitor fees	98,371	-	98,371
Rental	308,123	-	308,123
Sponsorships	294,720	-	294,720
Contributions	376,682	-	376,682
State funding	971,908	-	971,908
In-kind contributions	287,935	-	287,935
Other income	395,148	-	395,148
Net assets released from restrictions			
Satisfaction of purpose restriction	37,693	(37,693)	-
Total Revenue, Support, Gains and Reclassifications	<u>6,259,697</u>	<u>(37,693)</u>	<u>6,222,004</u>
Expenses			
Arkansas State Fair and other events	4,391,796	-	4,391,796
Management and general	553,551	-	553,551
Fundraising	56,922	-	56,922
Total Expenses	<u>5,002,269</u>	<u>-</u>	<u>5,002,269</u>
CHANGE IN NET ASSETS	1,257,428	(37,693)	1,219,735
NET ASSETS, BEGINNING OF YEAR	<u>3,178,551</u>	<u>77,693</u>	<u>3,256,244</u>
NET ASSETS, END OF YEAR	<u>\$ 4,435,979</u>	<u>\$ 40,000</u>	<u>\$ 4,475,979</u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, Gains and Reclassifications			
Parking	\$ 23,600	\$ -	\$ 23,600
Concessions	125,674	-	125,674
Entry fees	107,134	-	107,134
Exhibitor fees	575	-	575
Rental	349,743	-	349,743
Sponsorships	81,521	-	81,521
Contributions	340,125	37,693	377,818
State funding	1,000,746	-	1,000,746
In-kind contributions	10,000	-	10,000
Other income	273,281	-	273,281
Total Revenue, Support, Gains and Reclassifications	<u>2,312,399</u>	<u>37,693</u>	<u>2,350,092</u>
Expenses			
Arkansas State Fair and other events	2,022,886	-	2,022,886
Management and general	289,132	-	289,132
Fundraising	66,479	-	66,479
Total Expenses	<u>2,378,497</u>	<u>-</u>	<u>2,378,497</u>
CHANGE IN NET ASSETS	(66,098)	37,693	(28,405)
NET ASSETS, BEGINNING OF YEAR	<u>3,244,649</u>	<u>40,000</u>	<u>3,284,649</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,178,551</u></u>	<u><u>\$ 77,693</u></u>	<u><u>\$ 3,256,244</u></u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Statement of Functional Expenses Year Ended December 31, 2021

	<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	\$ 682,880	\$ 68,093	\$ 5,757	\$ 756,730
Arkansas State Fair entertainment	329,088	-	-	329,088
Arkansas State Fair and other fair expenses	686,596	6,938	-	693,534
Advertising and promotions	10,228	288,157	-	298,385
Sponsorship commission and expenses	-	-	50,796	50,796
Concessions and concessions commission	201,261	-	-	201,261
Temporary labor and event staff	498,376	19,532	-	517,908
Creative arts and livestock premiums	13,909	-	-	13,909
Junior livestock sales and other livestock expenses	327,561	-	-	327,561
Scholarships	18,750	-	-	18,750
Competitive events	132,284	-	-	132,284
Sales tax	90,460	-	-	90,460
Equipment, maintenance, repairs, and supplies	384,848	25,676	-	410,524
Insurance	163,324	6,886	369	170,579
Office	48,477	79,297	-	127,774
Professional fees	-	13,623	-	13,623
Bank and credit card fees	19,989	867	-	20,856
Dues, subscriptions, and licenses	-	15,622	-	15,622
Utilities	256,526	13,501	-	270,027
Other expenses	310,079	-	-	310,079
Meals and entertainment	-	4,606	-	4,606
Uniforms	6,949	-	-	6,949
Depreciation	204,302	10,753	-	215,055
Interest	5,909	-	-	5,909
Total Expenses	<u>\$ 4,391,796</u>	<u>\$ 553,551</u>	<u>\$ 56,922</u>	<u>\$ 5,002,269</u>

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

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Total Net Assets	\$ 1,219,735	\$ (28,405)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and amortization	215,055	204,596
Loss on disposal of property and equipment	1,601	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,006)	(31,780)
Prepaid expenses	3,687	914
Other assets	770	-
Change in value of endowment assets	(2,820)	(1,354)
Accounts payable	109,712	(226,739)
Accrued payroll and related liabilities	(872)	(11,419)
Deferred revenue	(180,000)	79,799
Scholarships payable	(130,800)	(5,875)
Net Cash Provided (Used) by Operating Activities	<u>1,233,062</u>	<u>(20,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(276,277)</u>	<u>(444,196)</u>
Net Cash Used by Investing Activities	<u>(276,277)</u>	<u>(444,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	107,552
Payments on notes payable	<u>(45,892)</u>	<u>(18,067)</u>
Net Cash (Used) Provided by Financing Activities	<u>(45,892)</u>	<u>89,485</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	910,893	(374,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>660,481</u>	<u>1,035,455</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,571,374</u></u>	<u><u>\$ 660,481</u></u>

See accompanying notes to financial statements.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 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 statements 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 years ended December 31, 2021 and 2020, cash and cash equivalent 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 years ended December 31, 2021 and 2020, the Association's balances maintained at multiple financial institutions totaled \$2,030,720 and \$715,970, respectively. Of these balances, \$1,778,879 and \$464,083 were not insured or collateralized at December 31, 2021 and 2020, respectively.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 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 receivables 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 for the years ended December 31, 2021 and 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 \$5,000 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 statements of activities as "net assets released from restrictions."

In-kind contributions have been reported as income in the statements 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 \$288,000 and \$10,000 for the years ended December 31, 2021 and 2020, respectively.

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, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

The Association reported \$100,000 and \$280,000 in deferred revenue as of December 31, 2021 and 2020, respectively, as more fully discussed in Note 12.

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, 2021 and 2020, there were no uncertain positions taken or expected to be taken. The Association may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

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 \$298,000 and \$31,000 for the years ended December 31, 2021 and 2020, respectively.

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 issued Accounting Standards Update No. 2016-02, *Leases*. The 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 Association on December 31, 2022. Management of the Association has not yet determined the significance of the implementation of this standard or any related amendments.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,571,374	\$ 660,481
Receivables	<u>88,722</u>	<u>85,716</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,660,096</u>	<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, 2021 and 2020, the funds were considered underwater by approximately \$3,000 and \$6,000, respectively.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 2020

NOTE 4: ENDOWMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Endowment funds held at the Arkansas		
Community Foundation, beginning of year	\$ 17,103	\$ 16,345
Investment return, net	1,989	1,258
Distribution of assets	<u>(500)</u>	<u>(500)</u>
Endowment funds held at the Arkansas		
Community Foundation, end of year	<u>\$ 18,592</u>	<u>\$ 17,103</u>

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

	<u>2021</u>	<u>2020</u>
Endowment funds held at the Arkansas		
Community Foundation, beginning of year	\$ 16,782	\$ 16,186
Investment return, net	1,940	1,217
Distribution of assets	<u>(609)</u>	<u>(621)</u>
Endowment funds held at the Arkansas		
Community Foundation, end of year	<u>\$ 18,113</u>	<u>\$ 16,782</u>

NOTE 5: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, is as follows:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 10,428,150	\$ 10,172,346
Furniture and equipment	923,612	934,847
Automobiles	9,300	77,805
Website	25,000	25,000
Less accumulated depreciation	<u>(9,790,452)</u>	<u>(9,645,914)</u>
	1,595,610	1,564,084
Land and land improvements	<u>1,543,038</u>	<u>1,514,943</u>
	<u>\$ 3,138,648</u>	<u>\$ 3,079,027</u>

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 2020

NOTE 6: NOTES PAYABLE

A summary of notes payable at December 31, is as follows:

	<u>2021</u>	<u>2020</u>
\$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>43,593</u>	<u>62,045</u>
	<u>\$ 43,593</u>	<u>\$ 89,485</u>

Total scheduled principal payments at December 31, 2021 are as follows:

2022	\$ 19,483
2023	20,572
2024	<u>3,538</u>
	<u>\$ 43,593</u>

Interest expense paid totaled \$6,248 and \$7,921 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7: LINE OF CREDIT

During the years ended December 31, 2021 and 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 years ended December 31, 2021 and 2020, there were no transactions or balances due related to this line of credit.

NOTE 8: PAYROLL PROTECTION PROGRAM LOANS

During the year ended December 31, 2020, the Association was approved and received approximately \$227,000 from the Paycheck Protection Program. On November 4, 2020, the Association was granted forgiveness for the full loan amount, and the related revenue is included in other income on the statements of activities for the year ended December 31, 2020.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 2020

NOTE 8: PAYROLL PROTECTION PROGRAM LOANS (Continued)

During the year ended December 31, 2021, the Association was approved and received an additional loan of approximately \$189,000 from the Paycheck Protection Program. On November 8, 2021, the Association was granted forgiveness for the full loan amount, and the related revenue is included in other income on the statements of activities for the year ended December 31, 2021.

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions at December 31, is as follows:

	<u>2021</u>	<u>2020</u>
Subject to purpose:		
Capital projects	\$ -	\$ 37,693
Subject to perpetuity:		
Scholarships	<u>40,000</u>	<u>40,000</u>
Total net assets with donor restrictions	<u>\$ 40,000</u>	<u>\$ 77,693</u>

NOTE 10: 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 statements of activities.

The Association leases a portion of land to an unrelated party. The income from this lease is included in other income on the statements 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 11: 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 years ended December 31, 2021 and 2020, was approximately \$9,000 and \$5,000, respectively.

Arkansas Livestock Show Association

Notes to Financial Statements December 31, 2021 and 2020

NOTE 12: CONCENTRATIONS

During the years ended December 31, 2021 and 2020, the Association received \$971,906 and \$1,000,746 from the State of Arkansas, respectively. These funds represent 16% and 43% of total support and revenues for the years ended December 31, 2021 and 2020. Of these amounts \$887,908 represents city county tourist facility aid funds that were appropriated and approved by the Arkansas Legislature for each year.

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 years ended December 31, 2021 and 2020, additional funds of approximately \$201,000 and \$283,000, respectively, were received from the City.

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 \$100,000 and \$200,000 being recorded in the statements of financial position for the years ended December 31, 2021 and 2020, respectively.

NOTE 13: 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 14: SUBSEQUENT EVENTS

Management has evaluated events through September 13, 2022, the date the financial statements were available to be issued.