Alpaca Owners Association, Inc. and Subsidiary
Lincoln, Nebraska

December 31, 2020 and 2019

Consolidated Financial Statements
and
Independent Auditor's Report

HBE
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Alpaca Owners Association, Inc. and Subsidiary

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Alpaca Owners Association, Inc. and Subsidiary
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpaca Owners Association, Inc. and Subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

HBE LLP

Lincoln, Nebraska
March 15, 2021

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents (note A)	$ 510,357	$ 774,513
Certificates of deposit	279,193	504,287
Accounts receivable (note A)	21,214	25,566
Prepaid expenses	20,789	15,765
Total current assets	831,553	1,320,131
PROPERTY AND EQUIPMENT, net (notes A and B)	2,782	5,819
OTHER ASSETS		
Association software costs, less accumulated amortization of $1,443,142 (2020) and $1,386,757 (2019) (notes A and C)	87,767	135,212
Investments (notes A, D and E)	612,627	-
Total other assets	700,394	135,212
Total assets	$ 1,534,729	$ 1,461,162

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 7,679	$ 9,609
Accrued payroll	11,848	10,235
Accrued vacation (note A)	24,983	16,372
Contract liability (note A)	84,202	80,272
Total current liabilities	128,712	116,488
NET ASSETS (note A)		
Without donor restrictions		
Undesignated	1,406,017	1,344,674
Total liabilities and net assets	$ 1,534,729	$ 1,461,162

See accompanying notes to consolidated financial statements.

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Registry income	$ 466,609	$ 489,578
National show	270,160	328,500
Show system	76,129	116,706
Grant revenue (note J)	95,209	-
Member marketing	11,648	15,394
Membership and voting rights	143,215	149,310
Product income	35,163	74,664
Other member services	108,126	106,947
Other business income	2,617	6,119
Advertising income	159,240	184,903
Interest income	10,552	35,741
Investment income (note D)	85,978	-
Total revenue	1,464,646	1,507,862
EXPENSES		
Program services		
DNA testing and registration services	190,772	229,083
National show	169,796	301,595
Show system	188,161	183,198
Other AOA	604,221	573,594
Total program services	1,152,950	1,287,470
Management and general		
Management and general before depreciation and amortization	240,920	316,488
Depreciation and amortization	9,433	13,935
Total management and general	250,353	330,423
Total expenses	1,403,303	1,617,893
INCREASE (DECREASE) IN NET ASSETS	61,343	(110,031)
Net assets at beginning of year	1,344,674	1,454,705
Net assets at end of year	$ 1,406,017	$ 1,344,674

See accompanying notes to consolidated financial statements.

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Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2020

	Program Services						
	DNA Testing & Registration Services	National Show	Show System	Other AOA	Total Program Services	Management and General	Total
Wages and benefits	$ 47,131	$ 62,432	$ 63,586	$ 229,969	$ 403,118	$ 107,113	$ 510,231
DNA testing	124,747	-	-	-	124,747	-	124,747
Other member services	-	-	-	113,218	113,218	-	113,218
Member products	-	-	-	12,587	12,587	-	12,587
Conferences and fees	-	49,084	110,600	-	159,684	1,789	161,473
Board and lodging	-	27,957	-	-	27,957	-	27,957
Travel	-	10,249	-	-	10,249	-	10,249
Judges clinic and student design	-	-	-	304	304	-	304
Publication services	-	-	-	168,632	168,632	-	168,632
Professional fees	-	-	-	-	-	62,227	62,227
Board of directors	-	-	-	-	-	2,299	2,299
Rent	3,245	3,447	2,400	13,654	22,746	4,292	27,038
Building maintenance	1,639	1,742	1,213	6,899	11,493	2,169	13,662
Utilities	1,522	1,617	1,126	6,406	10,671	2,014	12,685
Insurance	-	-	-	-	-	15,868	15,868
Office expenses	5,357	5,692	3,962	22,544	37,555	7,086	44,641
Bank charges	-	-	-	-	-	31,740	31,740
Depreciation and amortization	7,131	7,576	5,274	30,008	49,989	9,433	59,422
Other	-	-	-	-	-	4,323	4,323
Total expenses	$ 190,772	$ 169,796	$ 188,161	$ 604,221	$ 1,152,950	$ 250,353	$ 1,403,303

See accompanying notes to consolidated financial statements.

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2019

	Program Services						
	DNA Testing & Registration Services	National Show	Show System	Other AOA	Total Program Services	Management and General	Total
Wages and benefits	$ 70,434	$ 80,500	$ 74,431	$ 166,988	$ 392,353	$ 143,360	$ 535,713
DNA testing	135,127	-	-	-	135,127	-	135,127
Other member services	-	-	-	114,105	114,105	-	114,105
Member products	-	-	-	16,526	16,526	-	16,526
Conferences and fees	-	121,623	93,585	-	215,208	5,734	220,942
Board and lodging	-	44,945	-	-	44,945	-	44,945
Travel		20,303	-	-	20,303	-	20,303
Judges clinic and student design	-	-	-	36,774	36,774	-	36,774
Publication services	-	-	-	184,828	184,828	-	184,828
Professional fees	-	-	-	-	-	72,769	72,769
Board of directors	-	-	-	-	-	23,312	23,312
Rent	3,535	5,143	2,281	8,171	19,130	5,655	24,785
Building maintenance	2,187	3,182	1,411	5,055	11,835	3,499	15,334
Utilities	2,079	3,025	1,342	4,806	11,252	3,328	14,580
Insurance	-	-	-	-	-	9,568	9,568
Office expenses	7,012	10,202	4,526	16,208	37,948	11,219	49,167
Bank charges	-	-	-	-	-	34,023	34,023
Depreciation and amortization	8,709	12,672	5,622	20,133	47,136	13,935	61,071
Other	-	-	-	-	-	4,021	4,021
Total expenses	$ 229,083	$ 301,595	$ 183,198	$ 573,594	$ 1,287,470	$ 330,423	$ 1,617,893

See accompanying notes to consolidated financial statements.

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2020	2019
Cash flows from operating activities		
Cash received from members	$ 1,264,342	$ 1,363,414
Cash paid to suppliers and employees	(1,336,681)	(1,549,349)
Miscellaneous services income	108,126	106,947
Interest income	10,552	22,516
Net cash provided (used) by operating activities	46,339	(56,472)
Cash flows from investing activities		
Proceeds from maturity or sale of certificates of deposit	225,094	225,000
Proceeds from sale of investments	30,947	-
Purchases of investments	(557,596)	-
Purchase of equipment	-	(2,523)
Purchase of association software	(8,940)	(3,439)
Net cash provided (used) by investing activities	(310,495)	219,038
Net increase (decrease) in cash and cash equivalents	(264,156)	162,566
Cash and cash equivalents at beginning of year	774,513	611,947
Cash and cash equivalents at end of year	$ 510,357	$ 774,513
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	$ 61,343	$ (110,031)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	3,037	5,063
Amortization	56,385	56,008
Reinvested interest	-	(13,225)
Reinvested dividends	(11,176)	-
Realized and unrealized gains on investments	(74,802)	-
(Increase) decrease in assets		
Receivables	4,352	(1,760)
Prepaid expenses	(5,024)	3,254
Increase (decrease) in liabilities		
Accounts payable	(1,930)	(1,177)
Accrued payroll	1,613	3,974
Accrued vacation	8,611	(7,718)
Contract liability	3,930	9,140
Total adjusment to increase (decrease) in net assets	(15,004)	53,559
Net cash provided (used) by operating activities	$ 46,339	$ (56,472)

See accompanying notes to consolidated financial statements.

On January 14, 2014, Alpaca Owners and Breeders Association, Inc. merged with the Alpaca Registry, Inc., who then changed their name to Alpaca Owners Association Inc. (the Association).

The Association was incorporated in the State of Colorado. The Association exists to track the genealogy, blood testing and ownership records of alpacas in North America.

The Association, as a result of the merger, also provides an internationally recognized pedigree registry, judge training program, and magazine (Alpaca Magazine). The Association also provides the industry's largest Expected Progeny Difference (EDP) program, national show system, and national marketing program for alpacas and alpaca fiber products. The Association's main source of revenue from these activities is derived from registration fees, national shows, and membership dues.

In January 2014, the Association also acquired Alpaca Owners and Breeders Association, Inc.'s wholly owned subsidiary, Alpaca Livestock Company, Inc. ("ALCI"). ALCI is a for-profit corporation who is now a wholly owned subsidiary of the Association. ALCI primarily provides advertising to individual and small business customers in the Association's various publications.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Basis of Accounting. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Alpaca Owners Association, Inc. and its wholly owned subsidiary, Alpaca Livestock Company, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. For purposes of the consolidated statements of cash flows, the Association considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivables. Receivables are stated at the amount management expects to collect from outstanding balances at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has been concluded that realized losses on balances outstanding at year-end will be immaterial.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method. Equipment and furniture and fixtures are depreciated over estimated useful lives from five to seven years. It is the Association's policy to capitalize property and equipment over $2,500. Lesser amounts are expensed.

Association Software Costs. The Association's software costs are amortized over five to ten years using the straight-line method.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Investments. Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the statement of financial position. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting in observable price changes in orderly transactions for identical or similar investments. Unrealized gains and losses are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

Fair Value Measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Association utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB’s fair value measurement guidance are not required to be categorized in the fair value hierarchy.

Paid Time Off Policy. During the first year of employment, a salaried employee earns 120 hours of paid time off, and an hourly employee earns 80 hours of paid time off. The second through the fourth years of employment, a salaried and hourly employee earns 160 hours and 120 hours of paid time off per year, respectively. Beginning with the fifth year, a salaried employee earns 200 hours of paid time off per year, and an hourly employee earns 160 hours of paid time off per year. Employees may accumulate paid time off up to 240 hours for a salaried employee and up to 200 hours for an hourly employee. The Association’s policy is to pay this liability in the event of voluntary or involuntary termination.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Contract Balances. Contract assets represent the Association's right to consideration in exchange for goods or services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when the Association transfers goods or services and represent the Association's obligation to the customer. Contract assets and liabilities are included on the statement of financial position as accounts receivable and contract liabilities.

Net Asset Classification. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions.

With donor restrictions. Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions. The Association has not received any funds subject to donor-imposed restrictions.

Revenue Recognition. Revenue is measured based on consideration specified in contracts with customers. The Association recognizes revenue when it satisfies performance obligations by transferring control over products or services to customers.

The following is a description of principal activities from which the Association generates its revenue:

Registry Income

Registry income is generated from the registry of alpacas with the association. The registration includes DNA testing services that tests for parentage and purity of the breed. The Association also keeps lifetime records of each registered alpaca. Revenue from registration is recognized when the alpaca registration is complete.

National Show

The Association facilitates national alpaca shows. Fees received from the shows include show registration, stall purchases, vendor booth fees, and sponsorship fees. Revenue from the performance obligations related to these shows is recognized at the show's completion.

Show System

The Association provides organizational and promotional assistance to show organizers for a set fee paid by the management of the show organizers. Revenue is recognized upon completion of the show.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued.

Member Marketing

Members of the Association can elect to purchase various marketing packages offered to promote their farm. The marketing package fees vary based on the level of service provided. Members can choose when to use their benefits throughout the year they were purchased. Revenue is recognized over time, within the year the Member receives the marketing benefits.

Membership and Voting Rights

Membership fees are recognized over time as the Association satisfies its performance obligations by transferring member benefits or services to its members. The Association's primary member benefits include alpaca registration on the member directory, access to the Association's database and educational materials, advertising and marketing relationships, an annual subscription to *Alpacas Magazine*, and voting rights. The benefits are simultaneously received and consumed by the members. Any membership fees prepaid by members are accounted for as unearned revenue (contract liability) until the Association satisfies its obligations to provide the related membership benefits and services.

Product Income

The Association offers a limited number of educational products and apparel for members. The price of products range and are based on the value of the product. Products are shipped upon receipt of payment. Revenue is recognized when products are shipped. Revenues are presented net of sales taxes. Sales tax collected is included in other accrued expenses until the taxes are remitted to the appropriate taxing authorities.

Costs related to shipping of product are recorded as incurred and classified in other AOA expenses in the statement of activities.

Other Member Services

The Association provides other member services by providing educational clinics for judges. Participants are charged a participation fee. Revenue is recognized upon completion of the clinic.

Advertising Income

Advertisers pay to run advertisements in the Association's magazine, *Alpaca Magazine,* for set prices based on the size of the advertisements. Revenue from advertisements are recognized when the magazine is published. Any advertisement fees prepaid by advertisers are accounted for as unearned revenue (contract liability) until the Association satisfies its obligations to publish the magazine advertisement.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Income Taxes. The Association is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not related to their exempt purpose is subject to income tax at normal corporate rates. The Association has advertising income, which is subject to tax on unrelated business income. For the years ended December 31, 2020 and 2019, the Association had no tax liability on unrelated business activity. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

ALCI accounts for income taxes using the "balance sheet method" of accounting for income taxes. Accordingly, deferred assets and liabilities are determined based on the difference between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Functional Allocation of Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, as well as salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

Advertising and Promotion. The Association expenses advertising costs when incurred. The accompanying consolidated financial statements include advertising expense of $25,393 and $33,533 for the years ended December 31, 2020 and 2019, respectively.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Equipment	$ 80,311	$ 80,311
Furniture and fixtures	57,440	57,440
	137,751	137,751
Less accumulated depreciation	(134,969)	(131,932)
	$ 2,782	$ 5,819

Depreciation expense for the years ended December 31, 2020 and 2019 was $3,037 and $5,063, respectively.

NOTE C - ASSOCIATION SOFTWARE COSTS

The Association's software costs are amortized over five to ten years using the straight-line method. Amortization expense for the years ended December 31, 2020 and 2019 was $56,385 and $56,008, respectively.

Minimum amortization expense for the years following December 31, 2020 is as follows:

Year ending December 31,	
2021	$ 54,504
2022	12,892
2023	9,160
2024	5,075
2025	3,572
Thereafter	2,564
	$ 87,767

NOTE D - INVESTMENTS

	2020	
	Cost	Fair Value
Investments consist of:		
Mutual funds	$ 547,222	$ 612,627
Unrealized gain		$ 65,405

Investment income consists of:	2020
Dividend income	$ 11,177
Realized gains on investments	9,396
Unrealized gains on investments	65,405
	$ 85,978

NOTE E - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There has been no change in the method used during the year ended December 31, 2020.

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

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

The preceding method 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 believes its valuation method is 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.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020.

	2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 612,627	$ 612,627	$ -	$ -

NOTE F - LEASES

On January 16, 2013, the Association entered into a 60-month lease effective April 25, 2013 with payments to begin on May 1, 2013 for its operating premises. On May 8, 2018, the lease was renewed for an additional 36-month period. The renewed lease requires monthly payments of $2,253.

On November 8, 2016, the Association entered into a 63-month lease for a postage meter. The lease requires quarterly payments of $1,242 plus applicable taxes.

On October 23, 2017, the Association entered into a 63-month lease for a copier. The lease requires monthly payments of $389 plus applicable taxes.

Minimum lease payments for the years following December 31, 2020 are as follows:

Year ending December 31,	
2021	$ 18,649
2022	5,082
2023	778
	$ 24,509

Rent expense for the years ended December 31, 2020 and 2019 was $27,038 and $24,785, respectively.

NOTE G - RETIREMENT PLAN

Effective May 1, 2006, the Association provided a 401(k) deferred compensation plan for the benefit of eligible employees. The plan allows eligible employees to defer a portion of their annual compensation, not to exceed Internal Revenue Code limits. The Association matches 100% of employee contributions to the 401(k) plan up to a maximum of 5% of the employee's salary. Contributions expense to the 401(k) plan for the years ended December 31, 2020 and 2019 were $17,631 and $18,285, respectively.

NOTE H - INCOME TAXES

At December 31, 2020, ALCI has a net operating loss carry forward of $689,824 to offset future taxable income. This net operating loss will begin to expire for Federal income tax purposes in 2027 and for Tennessee income tax purposes in 2022.

A deferred tax asset for the years ended December 31, 2020 and 2019 has been provided for a timing difference for a Federal net operating loss carryforward of $189,702 and $190,372, net of a valuation allowance of $189,702 and $190,372 for the years ended December 31, 2020 and 2019, respectively.

ALCI believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

The Association's Federal Exempt Organization Business Income Tax Returns (990 and 990-T) and ALCI's U.S. Federal and State of Tennessee income tax returns for December 31, 2020, 2019 and 2018 are subject to examination by the IRS generally for three years after they were filed.

NOTE I - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	2020	2019
Cash and cash equivalents	$ 510,357	$ 774,513
Certificates of deposit	279,193	504,287
Accounts receivable	21,214	25,566
Total financial assets available to meet general expenditures over the next year	$ 810,764	$ 1,304,366

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, mutual funds, and money market funds.

NOTE J - GRANT INCOME

On May 7, 2020, the Association received loan proceeds in the amount of $87,209 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan's principal balance and accrued interest are forgivable after eight weeks as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months.

Under the contribution guidance in ASC 958-605, the Association initially recorded the entire amount as a conditional contribution (refundable advance liability). Revenue was recognized as the qualifying expenses were incurred. The Association determined that it has substantially met the terms for forgiveness and recorded the entire amount as PPP grant income for the period ending December 31, 2020. While the Association has applied for forgiveness and believes it has met the terms and conditions of the loan agreement, the Association may be determined to be ineligible for forgiveness of the loan in whole or in part.

NOTE K - RISKS AND UNCERTAINTIES

The COVID-19 (Coronavirus) outbreak continues to prompt global health concerns. Consequently, it is possible the Association could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the Association could experience decreases in membership and registry revenue due to a decrease in customers' ability to pay for services.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the consolidated financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	$ 505,934	$ 4,423	$ 510,357
Certificates of deposit	279,193	-	279,193
Accounts receivable	21,214	-	21,214
Prepaid expenses	20,789	-	20,789
Total current assets	827,130	4,423	831,553
PROPERTY AND EQUIPMENT, net	2,782	-	2,782
OTHER ASSETS			
Association software costs, less accumulated amortization of $1,443,142	87,767	-	87,767
Investments	612,627	-	612,627
Total other assets	700,394	-	700,394
Total assets	$ 1,530,306	$ 4,423	$ 1,534,729

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	$ 7,679	$ -	$ 7,679
Accrued payroll	11,848	-	11,848
Accrued vacation	24,983	-	24,983
Contract liability	84,202	-	84,202
Total current liabilities	128,712	-	128,712
NET ASSETS, WITHOUT DONOR RESTRICTIONS	1,401,594	4,423	1,406,017
Total liabilities and net assets	$ 1,530,306	$ 4,423	$ 1,534,729

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	$ 770,090	$ 4,423	$ 774,513
Certificates of deposit	504,287	-	504,287
Accounts receivable	25,566	-	25,566
Prepaid expenses	15,765	-	15,765
Total current assets	1,315,708	4,423	1,320,131
PROPERTY AND EQUIPMENT, net	5,819	-	5,819
OTHER ASSETS			
Association software costs, less accumulated amortization of $1,386,757	135,212	-	135,212
Total assets	$ 1,456,739	$ 4,423	$ 1,461,162

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	$ 9,609	$ -	$ 9,609
Accrued payroll	10,235	-	10,235
Accrued vacation	16,372	-	16,372
Contract liability	80,272	-	80,272
Total current liabilities	116,488	-	116,488
NET ASSETS, WITHOUT DONOR RESTRICTIONS	1,340,251	4,423	1,344,674
Total liabilities and net assets	$ 1,456,739	$ 4,423	$ 1,461,162

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue and support			
Registry income	$ 466,609	$ -	$ 466,609
National show	270,160	-	270,160
Show system	76,129	-	76,129
Grant revenue	95,209	-	95,209
Member marketing	11,648	-	11,648
Membership and voting rights	143,215	-	143,215
Product income	35,163	-	35,163
Other member services	108,126	-	108,126
Other business income	2,617	-	2,617
Advertising income	159,240	-	159,240
Interest income	10,552	-	10,552
Investment income	85,978	-	85,978
Total revenue and support	1,464,646	-	1,464,646
Expenses			
Program services			
DNA testing and registration services	190,772	-	190,772
National show	169,796	-	169,796
Show system	188,161	-	188,161
Other AOA	604,221	-	604,221
Total program services	1,152,950	-	1,152,950
Management and general			
Management and general before depreciation and amortization			
Wages and benefits	107,113	-	107,113
Conferences and fees	1,789	-	1,789
Professional fees	62,227	-	62,227
Board of directors	2,299	-	2,299
Rent	4,292	-	4,292
Building maintenance	2,169	-	2,169
Utilities	2,014	-	2,014
Insurance	15,868	-	15,868
Office expenses	7,086	-	7,086
Bank charges	31,740	-	31,740
Other	4,323	-	4,323
Total management and general before depreciation and amortization	240,920	-	240,920
Depreciation and amortization	9,433	-	9,433
Total management and general	250,353	-	250,353
Total expenses	1,403,303	-	1,403,303
INCREASE IN NET ASSETS	61,343	-	61,343
Net assets at beginning of year	1,340,251	4,423	1,344,674
Net assets at end of year	$ 1,401,594	$ 4,423	$ 1,406,017

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue and support			
Registry income	$ 489,578	$ -	$ 489,578
National show	328,500	-	328,500
Show system	116,706	-	116,706
Member marketing	15,394	-	15,394
Membership and voting rights	149,310	-	149,310
Product income	74,664	-	74,664
Other member services	106,947	-	106,947
Other business income	6,119	-	6,119
Advertising income	184,903	-	184,903
Interest	35,741	-	35,741
Total revenue and support	1,507,862	-	1,507,862
Expenses			
Program services			
DNA testing and registration services	229,083	-	229,083
National show	301,595	-	301,595
Show system	183,198	-	183,198
Other AOA	573,594	-	573,594
Total program services	1,287,470	-	1,287,470
Management and general			
Management and general before depreciation and amortization			
Wages and benefits	143,360	-	143,360
Conference and fees	5,734	-	5,734
Professional fees	72,769	-	72,769
Board of directors	23,312	-	23,312
Rent	5,655	-	5,655
Building maintenance	3,499	-	3,499
Utilities	3,328	-	3,328
Insurance	9,568	-	9,568
Office expenses	11,219	-	11,219
Bank charges	34,023	-	34,023
Other	3,991	30	4,021
Total management and general before depreciation and amortization	316,458	30	316,488
Depreciation and amortization	13,935	-	13,935
Total management and general	330,393	30	330,423
Total expenses	1,617,863	30	1,617,893
DECREASE IN NET ASSETS	(110,001)	(30)	(110,031)
Net assets at beginning of year	1,450,252	4,453	1,454,705
Net assets at end of year	$ 1,340,251	$ 4,423	$ 1,344,674