Alpaca Owners Association, Inc. and Subsidiary
Lincoln, Nebraska

December 31, 2021 and 2020

Consolidated Financial Statements
and
Independent Auditor's Report

HBE
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Alpaca Owners Association, Inc. and Subsidiary

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alpaca Owners Association, Inc. and Subsidiary as of December 31, 2021 and 2020, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Alpaca Owners Association, Inc. and Subsidiary, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Alpaca Owners Association, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alpaca Owners Association, Inc. and Subsidiary'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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 29, 2022

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents (note A)	$ 751,104	$ 510,357
Certificates of deposit	-	279,193
Accounts receivable (note A)	13,787	21,214
Prepaid expenses	34,986	20,789
Total current assets	799,877	831,553
PROPERTY AND EQUIPMENT, net (notes A and B)	1,530	2,782
OTHER ASSETS		
Association software costs, less accumulated amortization of $1,498,020 (2021) and $1,443,142 (2020) (notes A and C)	64,304	87,767
Investments (notes A, D and E)	609,130	612,627
Total other assets	673,434	700,394
Total assets	$ 1,474,841	$ 1,534,729

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 25,327	$ 7,679
Accrued payroll	14,758	11,848
Accrued vacation (note A)	24,983	24,983
Contract liability (note A)	113,552	84,202
Total current liabilities	178,620	128,712
NET ASSETS (note A)		
Without donor restrictions		
Undesignated	1,296,221	1,406,017
Total liabilities and net assets	$ 1,474,841	$ 1,534,729

See accompanying notes to consolidated financial statements.

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Registry income	$ 498,361	$ 466,609
National show	253,013	270,160
Show system	101,497	76,129
Grant revenue (note J)	-	95,209
Member marketing	16,365	11,648
Membership and voting rights	137,860	143,215
Product income	51,018	35,163
Other member services	110,480	108,126
Other business income	3,784	2,617
Advertising income	164,746	159,240
Interest income	4,999	10,552
Investment income (note D)	44,238	85,978
Total revenue	1,386,361	1,464,646
EXPENSES		
Program services		
DNA testing and registration services	205,061	190,772
National show	250,193	169,796
Show system	199,612	188,161
Other AOA	559,323	604,221
Total program services	1,214,189	1,152,950
Management and general		
Management and general before depreciation and amortization	273,408	240,920
Depreciation and amortization	8,560	9,433
Total management and general	281,968	250,353
Total expenses	1,496,157	1,403,303
INCREASE (DECREASE) IN NET ASSETS	(109,796)	61,343
Net assets at beginning of year	1,406,017	1,344,674
Net assets at end of year	$ 1,296,221	$ 1,406,017

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, 2021

	Program Services						
	DNA Testing & Registration Services	National Show	Show System	Other AOA	Total Program Services	Management and General	Total
Wages and benefits	$ 50,465	$ 89,442	$ 80,630	$ 183,590	$ 404,127	$ 113,739	$ 517,866
DNA testing	133,551	-	-	-	133,551	-	133,551
Other member services	-	-	-	118,907	118,907	-	118,907
Member products	-	-	-	4,523	4,523	-	4,523
Conferences and fees	-	54,910	99,397	-	154,307	2,897	157,204
Board and lodging	-	62,850	-	-	62,850	-	62,850
Travel	-	11,526	-	-	11,526	-	11,526
Judges clinic and student design	-	-	-	15,389	15,389	-	15,389
Publication services	-	-	-	167,735	167,735	-	167,735
Professional fees	-	-	-	-	-	76,253	76,253
Board of directors	-	-	-	-	-	11,060	11,060
Rent	3,515	5,255	3,271	11,554	23,595	4,245	27,840
Building maintenance	2,848	4,258	2,650	9,361	19,117	3,440	22,557
Utilities	1,627	2,433	1,514	5,349	10,923	1,965	12,888
Insurance	-	-	-	-	-	13,906	13,906
Office expenses	5,969	8,924	5,555	19,621	40,069	7,210	47,279
Bank charges	-	-	-	-	-	32,500	32,500
Depreciation and amortization	7,086	10,595	6,595	23,294	47,570	8,560	56,130
Other	-	-	-	-	-	6,193	6,193
Total expenses	$ 205,061	$ 250,193	$ 199,612	$ 559,323	$ 1,214,189	$ 281,968	$ 1,496,157

See accompanying notes to consolidated financial statements.

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 CASH FLOWS

Years ended December 31,

	2021	2020
Cash flows from operating activities		
Cash received from members	$ 1,263,421	$ 1,264,342
Cash paid to suppliers and employees	(1,433,666)	(1,336,681)
Miscellaneous services income	110,480	108,126
Interest income	30,050	10,552
Net cash provided (used) by operating activities	(29,715)	46,339
Cash flows from investing activities		
Proceeds from maturity or sale of certificates of deposit	275,000	225,094
Proceeds from sale of investments	221,168	30,947
Purchases of investments	(194,291)	(557,596)
Purchase of association software	(31,415)	(8,940)
Net cash provided (used) by investing activities	270,462	(310,495)
Net increase (decrease) in cash and cash equivalents	240,747	(264,156)
Cash and cash equivalents at beginning of year	510,357	774,513
Cash and cash equivalents at end of year	$ 751,104	$ 510,357
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	$ (109,796)	$ 61,343
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	1,252	3,037
Amortization	54,878	56,385
Reinvested interest and dividends	4,193	(11,176)
Realized and unrealized gains on investments	(23,380)	(74,802)
(Increase) decrease in assets		
Receivables	7,427	4,352
Prepaid expenses	(14,197)	(5,024)
Increase (decrease) in liabilities		
Accounts payable	17,648	(1,930)
Accrued payroll	2,910	1,613
Accrued vacation	-	8,611
Contract liability	29,350	3,930
Total adjusment to increase (decrease) in net assets	80,081	(15,004)
Net cash provided (used) by operating activities	$ (29,715)	$ 46,339

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 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. The Association does not have any contract assets.

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, 2021 and 2020, 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 wages and benefits 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 $29,241 and $25,393 for the years ended December 31, 2021 and 2020, 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:

	2021	2020
Equipment	$ 80,311	$ 80,311
Furniture and fixtures	57,440	57,440
	137,751	137,751
Less accumulated depreciation	(136,221)	(134,969)
	$ 1,530	$ 2,782

Depreciation expense for the years ended December 31, 2021 and 2020 was $1,252 and $3,037, 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, 2021 and 2020 was $54,878 and $56,385, respectively.

Minimum amortization expense for the years following December 31, 2021 is as follows:

Year ending December 31,	
2022	$ 17,380
2023	13,649
2024	9,563
2025	8,060
2026	5,929
Thereafter	9,723
	$ 64,304

NOTE D - INVESTMENTS

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	$ 566,760	$ 609,130	$ 547,222	$ 612,627
Unrealized gain		$ 42,370		$ 65,405

Investment income consists of:	2021	2020
Dividend income	$ 20,859	$ 11,177
Realized gains on investments	46,499	9,396
Unrealized gains on investments	(23,120)	65,405
	$ 44,238	$ 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, 2021.

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, 2021 and 2020.

	2021			
	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	$ 609,130	$ 609,130	$ -	$ -

	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 and April 22, 2020, 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, 2021 are as follows:

Year ending December 31,	
2022	$ 32,120
2023	9,791
	$ 41,911

Rent expense for the years ended December 31, 2021 and 2020 was $27,840 and $27,038, 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, 2021 and 2020 were $19,553 and $17,631, respectively.

NOTE H - INCOME TAXES

At December 31, 2021, 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, 2021 and 2020 has been provided for a timing difference for a Federal net operating loss carryforward of $189,702, net of a valuation allowance of $189,702 for the years ended December 31, 2021 and 2020.

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, 2021, 2020 and 2019 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:

	2021	2020
Cash and cash equivalents	$ 751,104	$ 510,357
Certificates of deposit	-	279,193
Accounts receivable	13,787	21,214
Total financial assets available to meet general expenditures over the next year	$ 764,891	$ 810,764

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. The loan was forgiven on April 27, 2021.

NOTE K - DISAGGREGATION OF REVENUE

The following presents the Association's revenues from contracts with customers disaggregated by the timing of recognition when goods or services are transferred to customers:

	2021	2020
Transferred over time	$ 154,225	$ 154,863
Transferred at a point in time	1,179,115	1,115,427
	$ 1,333,340	$ 1,270,290

NOTE L - CONTRACT BALANCES

The following tables provide information about the changes in the contract liabilities for the years ended December 31, 2021 and 2020.

Contract liabilities, beginning of year	$ 84,202	80,272
Recognition of revenue included in beginning balance	(82,230)	(79,800)
Collection of customer prepayments	111,580	83,730
Contract liabilities, end of year	$ 113,552	$ 84,202

NOTE M - 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, 2021

ASSETS

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	$ 746,681	$ 4,423	$ 751,104
Accounts receivable	13,787	-	13,787
Prepaid expenses	34,986	-	34,986
Total current assets	795,454	4,423	799,877
PROPERTY AND EQUIPMENT, net	1,530	-	1,530
OTHER ASSETS			
Association software costs, less accumulated amortization of $1,498,020	64,304	-	64,304
Investments	609,130	-	609,130
Total other assets	673,434	-	673,434
Total assets	$ 1,470,418	$ 4,423	$ 1,474,841

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	$ 25,327	$ -	$ 25,327
Accrued payroll	14,758	-	14,758
Accrued vacation	24,983	-	24,983
Contract liability	113,552	-	113,552
Total current liabilities	178,620	-	178,620
NET ASSETS, WITHOUT DONOR RESTRICTIONS	1,291,798	4,423	1,296,221
Total liabilities and net assets	$ 1,470,418	$ 4,423	$ 1,474,841

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 ACTIVITIES

Year ended December 31, 2021

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue and support			
Registry income	$ 498,361	$ -	$ 498,361
National show	253,013	-	253,013
Show system	101,497	-	101,497
Member marketing	16,365	-	16,365
Membership and voting rights	137,860	-	137,860
Product income	51,018	-	51,018
Other member services	110,480	-	110,480
Other business income	3,784	-	3,784
Advertising income	164,746	-	164,746
Interest income	4,999	-	4,999
Investment income	44,238	-	44,238
Total revenue and support	1,386,361	-	1,386,361
Expenses			
Program services			
DNA testing and registration services	205,061	-	205,061
National show	250,193	-	250,193
Show system	199,612	-	199,612
Other AOA	559,323	-	559,323
Total program services	1,214,189	-	1,214,189
Management and general			
Management and general before depreciation and amortization			
Wages and benefits	113,739	-	113,739
Conferences and fees	2,897	-	2,897
Professional fees	76,253	-	76,253
Board of directors	11,060	-	11,060
Rent	4,245	-	4,245
Building maintenance	3,440	-	3,440
Utilities	1,965	-	1,965
Insurance	13,906	-	13,906
Office expenses	7,210	-	7,210
Bank charges	32,500	-	32,500
Other	6,193	-	6,193
Total management and general before depreciation and amortization	273,408	-	273,408
Depreciation and amortization	8,560	-	8,560
Total management and general	281,968	-	281,968
Total expenses	1,496,157	-	1,496,157
DECREASE IN NET ASSETS	(109,796)	-	(109,796)
Net assets at beginning of year	1,401,594	4,423	1,406,017
Net assets at end of year	$ 1,291,798	$ 4,423	$ 1,296,221

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	96,530	-	96,530
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
Conference 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