

AMERICAN SIMMENTAL ASSOCIATION

**Consolidated Financial Statements
with
Independent Auditors' Report**

June 30, 2020 and 2019

AMERICAN SIMMENTAL ASSOCIATION
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June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
American Simmental Association

We have audited the accompanying consolidated financial statements of American Simmental Association (the "Association") (a nonprofit organization) and its subsidiary and affiliate, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Simmental Association and its subsidiary and affiliate as of June 30, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 25 to 49 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.

Rudd + Company, PLLC

Bozeman, Montana
December 28, 2020

CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Financial Position
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,488,077	\$ 2,003,537
Accounts receivable, net of allowance for doubtful accounts of \$11,540 and \$14,365, respectively	851,406	902,521
Prepaid expenses	218,891	92,852
Prepaid income tax	4,718	8
Total current assets	<u>6,563,092</u>	<u>2,998,918</u>
Foundation Investments	<u>397,008</u>	<u>371,929</u>
Investments	<u>8,683,124</u>	<u>7,292,092</u>
Property and Equipment		
Land	374,412	417,768
Building and improvements	2,956,056	3,633,508
Computer hardware	93,470	93,470
Office furniture and fixtures	138,801	133,334
Less: Accumulated depreciation	<u>(748,326)</u>	<u>(1,168,982)</u>
Total property and equipment, net	<u>2,814,413</u>	<u>3,109,098</u>
Other Assets		
Deferred income tax assets, noncurrent	13,884	13,217
Computer software, net of accumulated amortization of \$561,264 and \$459,630	<u>207,791</u>	<u>194,777</u>
Total other assets	<u>221,675</u>	<u>207,994</u>
Total Assets	<u>\$ 18,679,312</u>	<u>\$ 13,980,031</u>

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Financial Position (continued)
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 26,112	\$ 345,619
Due to members	46,466	133,581
Wages, commissions and payroll taxes payable	14,558	1,176
Accrued annual leave	218,462	206,526
Income taxes payable	2,184	16,681
Deferred revenue	452,289	287,609
Subscriptions received in advance	1,199	777
Advertising received in advance	11,352	17,902
Total current liabilities	<u>772,622</u>	<u>1,009,871</u>
Net Assets		
Without donor restrictions		
Parent company's net assets	15,896,521	10,955,753
Subsidiary's accumulated equity	938,730	1,111,143
Foundation's net assets without donor restrictions	601,653	571,809
Restricted		
Foundation's donor restricted net assets	469,786	331,455
Total net assets	<u>17,906,690</u>	<u>12,970,160</u>
Total Liabilities and Net Assets	<u>\$ 18,679,312</u>	<u>\$ 13,980,031</u>

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in Net Assets Without Donor Restrictions		
Operating Revenue Without Donor Restrictions		
Membership fees and registrations	\$ 1,419,579	\$ 1,473,569
Annual service fee	721,925	702,614
Total herd enrollment	1,331,452	1,348,416
Advertising income	750,013	783,427
Production income	69,241	54,181
Transfers	70,660	71,380
Subscriptions	1,428	2,186
DNA revenue	1,224,490	1,743,279
Foundation support	105,778	139,320
Other operating revenue	351,120	287,573
	<u>6,045,686</u>	<u>6,605,945</u>
Release of program restrictions	<u>42,577</u>	<u>27,038</u>
	6,088,263	6,632,983
Expenses		
Program activities	2,739,546	3,074,285
General and administrative	2,297,185	2,221,711
Fundraising	19,981	13,284
ASA Publications	997,665	947,929
Total Expenses	<u>6,054,377</u>	<u>6,257,209</u>
Without Donor Restrictions Operating Income	<u>\$ 33,886</u>	<u>\$ 375,774</u>

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Activities (continued)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Other Income (Expense)		
Interest and dividend income	\$ 198,162	\$ 356,913
Unrealized gain on investments	220,389	218,936
Gain on sale of building	4,351,156	-
Earnest money from forfeiture	-	250,000
	<u>4,769,707</u>	<u>825,849</u>
Income before provision for income taxes	4,803,593	1,201,623
Provision for Income Taxes	<u>(5,394)</u>	<u>(105,024)</u>
Change in Without Donor Restrictions Net Assets	<u>4,798,199</u>	<u>1,096,599</u>
Donor Restricted Support		
Foundation support	180,908	140,928
Release of program restrictions	<u>(42,577)</u>	<u>(27,038)</u>
Change in Donor Restricted Net Assets	<u>138,331</u>	<u>113,890</u>
Total Change in Net Assets	<u>\$ 4,936,530</u>	<u>\$ 1,210,489</u>

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Activities	General and Administrative	Fundraising	ASA Publications	Total
Advertising	\$ 359,486	\$ -	\$ -	\$ -	\$ 359,486
Amortization	-	101,633	-	-	101,633
Bad debt	-	1,619	-	8,795	10,414
Depreciation	-	159,115	-	1,139	160,254
Dues and subscriptions	-	14,614	-	-	14,614
Event	34,000	30,979	-	-	64,979
Fundraising	-	-	19,981	-	19,981
Insurance	-	46,333	-	-	46,333
Maintenance and repairs	-	31,656	-	-	31,656
Miscellaneous	-	591	-	47	638
Office expense	-	25,615	-	49,146	74,761
Penalties	-	518	-	-	518
Personnel	801,522	1,439,151	-	372,637	2,613,310
Postage and freight	-	84,106	-	198,391	282,497
Printing	-	25,164	-	-	25,164
Production expenses	-	-	-	325,686	325,686
Professional fees	176,003	210,698	-	30,671	417,372
Property taxes	-	64,409	-	-	64,409
Scholarships and youth	53,491	961	-	-	54,452
Services	909,971	6,624	-	-	916,595
Telephone	-	36,709	-	-	36,709
Travel	405,073	-	-	11,153	416,226
Utilities	-	16,690	-	-	16,690
Total	\$ 2,739,546	\$ 2,297,185	\$ 19,981	\$ 997,665	\$ 6,054,377

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2019

	Program Activities	General and Administrative	Fundraising	ASA Publications	Total
Advertising	\$ 365,940	\$ -	\$ -	\$ -	\$ 365,940
Amortization	-	82,131	-	-	82,131
Bad debt	-	413	-	7,729	8,142
Depreciation	-	157,810	-	1,140	158,950
Dues and subscriptions	-	19,127	-	-	19,127
Event	59,325	26,067	-	-	85,392
Fundraising	-	-	13,284	-	13,284
Insurance	-	46,036	-	-	46,036
Maintenance and repairs	-	36,853	-	-	36,853
Miscellaneous	-	5,120	-	141	5,261
Office expense	-	26,945	-	57,638	84,583
Penalties	-	518	-	-	518
Personnel	745,663	1,409,544	-	340,898	2,496,105
Postage and freight	-	79,327	-	179,029	258,356
Printing	-	70,719	-	-	70,719
Production expenses	-	-	-	313,342	313,342
Professional fees	84,197	174,823	-	33,353	292,373
Property taxes	-	31,431	-	-	31,431
Scholarships and youth	43,963	2,435	-	-	46,398
Services	1,403,630	5,935	-	-	1,409,565
Telephone	-	28,036	-	-	28,036
Travel	371,567	-	-	14,659	386,226
Utilities	-	18,441	-	-	18,441
Total	\$ 3,074,285	\$ 2,221,711	\$ 13,284	\$ 947,929	\$ 6,257,209

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

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AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Net Assets
For the Years Ended June 30, 2020 and 2019

	Parent Company's Net Assets	Subsidiary's Retained Earnings	Foundation's Net Assets	Total
Net Asset Balances				
June 30, 2018	\$ 9,759,372	\$ 1,214,794	\$ 784,987	\$ 11,759,153
Change in net assets without donor restrictions	1,196,381	(103,651)	31,425	1,124,155
Change in donor restricted net assets	-	-	86,852	86,852
Total change in net assets	1,196,381	(103,651)	118,277	1,211,007
Net Asset Balances				
June 30, 2019	10,955,753	1,111,143	903,264	12,970,160
Change in net assets without donor restrictions	4,940,768	(172,413)	29,844	4,798,199
Change in donor restricted net assets	-	-	138,331	138,331
Total change in net assets	4,940,768	(172,413)	168,175	4,936,530
Net Asset Balances				
June 30, 2020	\$ 15,896,521	\$ 938,730	\$ 1,071,439	\$ 17,906,690

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 5,975,397	\$ 6,332,888
Cash received from contributions	304,022	227,595
Cash paid to suppliers and employees	(6,023,255)	(5,715,821)
Investment income	198,162	263,163
Interest income	-	93,750
Income taxes paid	(19,891)	(97,654)
Support paid	(105,132)	(160,517)
Miscellaneous expenses paid	(19,981)	(13,284)
Net cash flows from operating activities	<u>309,322</u>	<u>930,120</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,195,722)	(760,704)
Proceeds from sale of property, plant and equipment	4,491,054	-
Proceeds from earnest money forfeiture	-	250,000
Purchases of property and equipment	(5,467)	(45,445)
Purchases of computer software	(114,647)	(67,400)
Net cash flows from investing activities	<u>3,175,218</u>	<u>(623,549)</u>
Net change in cash and cash equivalents	3,484,540	306,571
Cash and cash equivalents at beginning of year	<u>2,003,537</u>	<u>1,696,966</u>
Cash and cash equivalents at end of year	<u>\$ 5,488,077</u>	<u>\$ 2,003,537</u>

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

AMERICAN SIMMENTAL ASSOCIATION
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of change in equities to net cash flows from operating activities		
Change in equities and net assets	\$ 4,936,530	\$ 1,211,007
Adjustments to reconcile change in equities and net assets to net cash flows from operating activities:		
Depreciation and amortization	261,887	241,081
Net gain on sale of equipment	(4,351,156)	-
Earnest money from forfeiture	-	(250,000)
Unrealized and realized gain on investments	(220,389)	(218,936)
Changes in operating assets and liabilities:		
Accounts receivable	51,115	(174,965)
Prepaid expenses	(126,039)	(7,386)
Prepaid taxes	(4,710)	(8)
Deferred income tax assets	(667)	(1,833)
Trade accounts payable	(319,507)	265,851
Due to members	(87,115)	77,610
Wages, commissions and payroll taxes payable	13,382	1,176
Accrued annual leave	11,936	30,762
Deferred revenues	164,680	(255,106)
Subscriptions received in advance	422	(236)
Advertising received in advance	(6,550)	3,733
Income taxes payable	(14,497)	7,370
Total adjustments	(4,627,208)	(280,887)
Net cash flows from operating activities	\$ 309,322	\$ 930,120

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Activities

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

Basis of Presentation and Consolidation

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

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

Classification of Net Assets

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

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

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Accounts Receivable

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

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

Investments

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

Property and Equipment

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

Computer Software

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

Deferred Revenue

Recognition of revenue associated with work-in-progress at June 30, 2020 and 2019 is deferred in the accompanying consolidated financial statements until services have been performed.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Fair Value

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

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

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

Common stock: Valued at the closing price reported in the active market in which the individual securities are traded.

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

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Membership Dues and Annual Service Fees

There is a one-time setup fee of \$50 for all new adult members. In addition, there is an annual service fee of \$110, based on the Association's fiscal year of July 1 – June 30. If a member joins ASA in the second half of the fiscal year (January 1 – June 30), the member is charged \$55, half of the service fee. The Association also offers junior memberships which charge an annual service fee of \$50. Similar to adult memberships, a junior member is only charged \$25, half the service fee, if they join in the second half of the fiscal year. Annual service fees are billed to active members at the start of the fiscal year on July 1.

Foundation Support

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

Total Herd Enrollment

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

Transfers

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

DNA revenue

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

Advertising and Production Income

Advertising and production sales are considered exchange transactions in which members, non-members, and corporate entities may advertise and promote their products in the Association's print media, digital platforms, booths and presentations. Advertising sales are recorded in the month of issue and production sales are recognized as income when the promotion services have been performed. Payments received in advance are recorded as deferred revenue and classified as a current liability.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are charged to expense when incurred.

Functional Allocation of Expenses

Functional expenses were broken out specifically between program activities, general and administrative and fundraising based on the nature of the expense relating directly to the respective category.

Income Taxes

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

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through December 28, 2020, the date which the consolidated financial statements were available for issue.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09: *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods or services and guidance on accounting for certain contracts. The ASU also contains significant new required disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard, effective July 1, 2019, the first day of the Association's fiscal year, using the modified retrospective method.

The Association's services that fall within the scope of ASC 606 are presented within advertising and production income and are recognized at a point in time based on the transfer of control. The remaining portion of the Association's revenue comes from membership contributions, including registration and service fees, herd enrollments, transfers, and DNA revenue, which are outside the scope of ASC 606. Refer to Revenue Recognition disclosure within Note 1 for the Association's accounting policies for all revenue sources.

The adoption of this ASU did not have a significant impact on the Association's financial statements. The majority of the Association's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services and do not contain variable consideration. Based on the Association's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities and subsequently issued related ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10). These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. These standards were adopted by the Association on July 1, 2019, using the modified retrospective method, and there is no effect on net assets with the implementation of these two ASUs.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (continued)

In June 2016, the FASB issued ASU 2018-09, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The main provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Association elected to adopt the guidance from this standard, effective July 1, 2019. Based on the Association's review of its contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard has not impacted the statements of financial position or the statements of activities and changes in net assets.

In November 2017, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that amounts generally described as restricted cash and cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Association adopted the new standard as of July 1, 2019, and has adjusted the presentation in these financial statements accordingly.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Cash - Association	\$ 4,543,180	\$ 1,031,104
Cash - Subsidiary	287,951	495,656
Cash - Foundation	<u>656,946</u>	<u>476,777</u>
	<u>\$ 5,488,077</u>	<u>\$ 2,003,537</u>

The Association, the Subsidiary, and the Foundation maintain cash balances at several banks. The non-interest and interest bearing accounts were insured up to \$250,000 by the FDIC. For the year ended June 30, 2020, the Association, the Subsidiary and the Affiliate held \$4,020,870, \$0, and \$168,673, respectively, in excess of the federally insured limits. For the year ended June 30, 2019, the Association, the Subsidiary and the Affiliate held \$584,053, \$98,739, and \$61,205 in excess of the federally insured limits.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

3. Investments

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

The following table represents the Association's and Foundation's investment assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

Description	June 30, 2020		June 30, 2019	
	Fair Value	Level 1 Inputs	Fair Value	Level 1 Inputs
Mutual funds				
Conservative Growth	\$ 4,253,748	\$ 4,253,748	\$ 3,540,564	\$ 3,540,564
Growth	2,990,757	2,990,757	2,403,794	2,403,794
Income	1,835,627	1,835,627	1,719,663	1,719,663
Total assets at fair value	\$ 9,080,132	\$ 9,080,132	\$ 7,664,021	\$ 7,664,021

4. Due to Members

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

5. Deferred Revenues

Deferred revenues as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Summer Classic revenues	\$ 147,365	\$ 132,515
Total herd enrollment payments for fall	304,924	155,094
	\$ 452,289	\$ 287,609

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

6. Foundation Donor Restricted Net Assets

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

Program restrictions:	<u>2020</u>	<u>2019</u>
AJSA - General	\$ 10,948	\$ 5,985
Bob Walton Scholarship	21,606	9,606
Eastern Regional	106,769	73,671
Education - General	35,618	5,425
Fall Focus - Educational	19,850	54,050
Feed Intake Project	-	6,567
JW Brune Scholarship	10,000	10,000
Merit Awards	48,868	49,437
National Classic Facility	73,225	37,879
National Classic Golf	600	-
Research & Technology	56,508	52,342
Sammi Long Memorial	49,794	-
Scholarships	2,534	3,775
South Central Regional	1,225	1,225
Steer Profitability Competition	1,100	1,100
Summit Youth Fund	15,703	12,222
Western Regional	2,750	2,750
Youth - General	12,688	5,421
Total	<u>\$ 469,786</u>	<u>\$ 331,455</u>

7. Retirement Plan

The Association has a contributory retirement plan covering substantially all of its permanent employees. ASA Publication, Inc., through the Association, sponsors a contributory retirement plan that covers employees who work at least 500 hours per calendar year. Contributions are determined annually by the Board of Trustees and totaled \$115,270 and \$107,829 for the years ended June 30, 2020 and 2019, respectively.

8. Operating Lease Obligations

ASA Publications, Inc. entered into a five year operating lease agreement for a copier in January 2014. In February 2018, the lease terms were changed and monthly payments decreased from \$585 to \$475. Future minimum lease payments due under the new lease are \$5,700 for fiscal years 2020 through 2022 and \$3,800 for fiscal year 2023. Rent expense for the fiscal years ended June 30, 2020 and 2019 was \$5,700 and \$5,700, respectively. This expense is classified in maintenance and repairs.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

9. Income Taxes

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

The components of the benefit (provision) from continuing operations for income taxes for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Federal	\$ (4,833)	\$ (79,677)
State	<u>(1,593)</u>	<u>(25,730)</u>
Total current	<u>(6,426)</u>	<u>(105,407)</u>
Deferred income tax expense		
Federal	505	1,387
State	<u>162</u>	<u>446</u>
Total deferred	<u>667</u>	<u>1,833</u>
Total provision for income taxes	<u>\$ (5,759)</u>	<u>\$ (103,574)</u>

Deferred income tax assets consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred income tax assets		
Accrued annual leave	\$ 10,682	\$ 9,231
Allowance for doubtful accounts	<u>3,202</u>	<u>3,986</u>
	<u>\$ 13,884</u>	<u>\$ 13,217</u>

The deferred tax provisions as of June 30, 2020 and 2019 relate to the cumulative timing differences for accrued annual leave and the allowance for doubtful accounts. The Subsidiary made estimated federal and state tax payments in fiscal year 2020 and 2019 of \$5,160 and \$4,920, respectively, to federal and \$1,572 and \$2,000, respectively, to state. In 2020, there was also an over payment applied from the prior year state tax return of \$228. After these items, the federal had an overpayment at June 30, 2020 of \$3,493 and an amount due of \$220 at June 30, 2019. The state had an overpayment at June 30, 2020 and 2019 of \$1,225 and \$228, respectively. At June 30, 2020 and 2019, a total of \$4,718 and \$8, respectively, was included in prepaid taxes.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

9. Income Taxes (Continued)

The Association paid \$2,000 in federal estimates for fiscal year 2020. The Association paid \$61,740 in federal and \$20,075 state estimates for fiscal year 2019. At June 30, 2020 and 2019, balances due of \$1,166 and \$12,797, respectively, to federal and \$1,018 and \$3,883, respectively, to state are included in the income taxes payable liability.

Management has determined no valuation allowance related to deferred tax assets is necessary at June 30, 2020 or 2019. The deferred tax asset for accrued annual leave and the allowance for doubtful accounts is expected to be realized.

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

	<u>2020</u>	<u>2019</u>
Statutory federal rate	\$ 1,121	3,887
State income taxes	360	1,249
Meals and entertainment	201	297
Rate adjustment/other/tax credits	(107)	(354)
UBIT from related organization	<u>4,184</u>	<u>98,495</u>
Actual tax	<u>\$ 5,759</u>	<u>\$ 103,574</u>

The Subsidiary incurred late payment penalties and interest associated with income taxes for the year ended June 30, 2020 and 2019. For the Subsidiary, the penalties were \$47 and \$63, respectively.

Total provision for income tax expense for the year ended June 30, 2020 and 2019 does not agree to the face of the financials as amounts due/refunded from prior years of \$365 and \$1,449, respectively, were also included in the amount on page 6.

10. Customers and Credit Concentrations

Substantially all of ASA Publication, Inc.'s subscription revenue, and a portion of its advertising and catalog and brochure revenue are derived from sales to the Association. The intercompany revenue has been eliminated and is not reflected in the accompanying consolidated financial statements. Except for these transactions, no ASA Publication customer accounted for 10% or more of the net revenues earned during the years ended June 30, 2020 and 2019. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the customer base. Since the Association's objective is the development, registration, and promotion of Simmental and Simbrah breeds of cattle, fluctuations in the cattle market can affect revenue and receivables.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

11. Liquidity and Availability of Resources

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

Cash	\$ 5,488,077
Accounts receivable, net	851,406
Add: foundation investments	397,008
ASA investments	8,683,124
Less: those unavailable due to donor restrictions	<u>(469,786)</u>
Total Financial Assets Available	<u>\$ 14,949,829</u>

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

12. Recent Accounting Pronouncements

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

13. Land Sale

In April 2017, the Association entered into a contract to sell a tract of land at 1 Simmental Way and received \$50,000 of earnest money. In May 2018, the Association extended the contract closing date to April 2019 and received an extension payment of \$200,000 from the potential buyer. The initial \$50,000 earnest money was also reclassified as an extension payment. In the event that closing occurred on or prior to the extended closing date, the purchaser would receive a credit in the amount of the extension payments to be applied to the purchase price at closing. The potential buyer also agreed to pay monthly interest payments of \$15,625 and property tax reimbursements of \$2,581 until the contract closing date.

AMERICAN SIMMENTAL ASSOCIATION
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

13. Land Sale (Continued)

In January 2019, the Association extended the due date of the January and February 2019 interest and property tax reimbursement payments until February 28, 2019. The buyer was in default as the February 28, 2019 deadline was not met.

Based on the default, the deferred revenue recorded at June 30, 2018 was recognized as revenue in fiscal year 2019. This income is subject to unrelated business income tax in fiscal year 2019.

In May 2019, the Association signed a new purchase agreement for the buyer to pay \$4,291,284 and close by April 6, 2020. The contract stated that if the buyer closes earlier than April 6, 2020, the purchase price would be reduced by \$10,205 for each full 30-day period before the final close date. The contract also stated that if the Association received a bonafide non-contingent offer to sell the property, the Association would notify the original buyer of the new offer terms and the original buyer had 120 days from the date of the notice to close. If the buyer did not close by the adjusted close date, the buyer relinquished its rights under the agreement. Ultimately, a sale did not occur with the original buyer.

On December 24, 2019, the Association entered into a buy-sell agreement to sell 1 Simmental Way for \$4,500,000. The Association closed on the sale of the property on May 21, 2020 and recognized a \$4,351,156 gain on sale in fiscal year 2020.

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American Simmental Association

Supplementary Schedules I-VII

Parent Company

AMERICAN SIMMENTAL ASSOCIATION
Schedule I – Schedules of Financial Position
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,543,180	\$ 1,031,104
Accounts receivable	707,172	736,697
Due from subsidiary	-	208,741
Due from affiliate	25,349	-
Prepaid expenses	157,997	42,242
Total current assets	<u>5,433,698</u>	<u>2,018,784</u>
Investments	<u>8,683,124</u>	<u>7,292,092</u>
Property and Equipment		
Land	374,412	417,768
Building and Improvements	2,956,056	3,633,508
Computer hardware	93,470	93,470
Office furniture and fixtures	104,591	99,124
Less: Accumulated depreciation	<u>(715,982)</u>	<u>(1,137,777)</u>
Total property and equipment, net	<u>2,812,547</u>	<u>3,106,093</u>
Other Assets		
Investment in subsidiary company	176,000	176,000
Computer software, net of accumulated amortization of \$539,992 and \$438,358	<u>207,791</u>	<u>194,777</u>
Total other assets	<u>383,791</u>	<u>370,777</u>
Total Assets	<u>\$ 17,313,160</u>	<u>\$ 12,787,746</u>
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	\$ 26,112	\$ 345,138
Due to subsidiary	9,715	-
Due to affiliate	-	11,425
Due to members	46,466	133,581
Income tax payable	2,184	16,681
Wages and payroll taxes payable	12,575	1,176
Accrued annual leave	141,476	139,999
Deferred revenues	<u>452,289</u>	<u>287,609</u>
Total current liabilities	<u>690,817</u>	<u>935,609</u>
Net Assets		
Without Donor Restrictions	<u>16,622,343</u>	<u>11,852,137</u>
Total net assets	<u>16,622,343</u>	<u>11,852,137</u>
Total Liabilities and Net Assets	<u>\$ 17,313,160</u>	<u>\$ 12,787,746</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule II – Schedules of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Operating Revenue		
Membership fees	\$ 62,355	\$ 59,350
Simmental and Simbrah registration	1,275,352	1,327,098
Transfers	70,660	71,380
Registrations, other breeds, foreign	51,526	50,576
Registration related income	30,346	36,545
Other income	(69,336)	(64,958)
Annual service fee	721,925	702,614
DNA revenue	1,224,490	1,770,317
Youth program revenue	134,515	86,362
Genetic evaluation services	242,796	225,890
Carcass merit	37,000	30,500
Total herd enrollment	1,331,452	1,348,416
	<u>5,113,081</u>	<u>5,644,090</u>
Operating Expenses		
Program activities	2,808,293	3,161,242
General and Administrative	2,314,131	2,137,236
	<u>5,122,424</u>	<u>5,298,478</u>
Operating income	<u>(9,343)</u>	<u>345,612</u>
Other Income (Expense)		
Interest and dividend income	187,033	342,927
Rent income	40,000	35,000
Gain on sale of property	4,351,156	-
Earnest money from forfeiture	-	250,000
Unrealized gain on investments	205,179	205,707
	<u>4,783,368</u>	<u>833,634</u>
Income before provision for income taxes	4,774,025	1,179,246
Provision for Income Taxes	<u>(3,819)</u>	<u>(99,729)</u>
Change in Net Assets Without Donor Restrictions	<u>\$ 4,770,206</u>	<u>\$ 1,079,517</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule III – Schedules of Functional Expenses
For the Year Ended June 30, 2020

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$ 801,522	\$ 1,343,475	\$ 2,144,997
Services	909,971	6,624	916,595
Professional fees	176,003	205,851	381,854
Office expense	-	576,525	576,525
Maintenance and repairs	-	31,656	31,656
Travel	405,073	-	405,073
Advertising and promotion	515,724	150,000	665,724
Total	<u>\$ 2,808,293</u>	<u>\$ 2,314,131</u>	<u>\$ 5,122,424</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule III – Schedules of Functional Expenses (continued)
For the Year Ended June 30, 2019

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$ 745,663	\$ 1,221,163	\$ 1,966,826
Services	1,403,630	5,935	1,409,565
Professional fees	84,197	162,869	247,066
Office expense	-	560,416	560,416
Maintenance and repairs	-	36,853	36,853
Travel	371,567	-	371,567
Advertising and promotion	556,185	150,000	706,185
Total	<u>\$ 3,161,242</u>	<u>\$ 2,137,236</u>	<u>\$ 5,298,478</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule IV – Schedules of Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	<u>Without Donor Restriction</u>
Net Assets, July 1, 2018	\$ 10,772,620
Change in net assets	<u>1,079,517</u>
Net Assets, June 30, 2019	11,852,137
Change in net assets	<u>4,770,206</u>
Net Assets, June 30, 2020	<u>\$ 16,622,343</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule V – Schedules of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 5,142,606	\$ 5,467,829
Cash paid to suppliers and employees	(5,024,334)	(5,085,929)
Investment income	187,033	249,177
Interest income	-	93,750
Cash received for rent	40,000	35,000
Income taxes paid	(18,316)	(91,474)
Net cash flows from operating activities	<u>326,989</u>	<u>668,353</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,185,853)	(748,164)
Proceeds from sale of property, net of fees	4,491,054	-
Proceeds from earnest money forfeiture	-	250,000
Purchases of property, plant and equipment	(5,467)	(45,445)
Purchase of computer software	(114,647)	(67,400)
Net cash flows from investing activities	<u>3,185,087</u>	<u>(611,009)</u>
Net change in cash and cash equivalents	3,512,076	57,344
Cash and cash equivalents at beginning of year	<u>1,031,104</u>	<u>973,760</u>
Cash and cash equivalents at end of year	<u>\$ 4,543,180</u>	<u>\$ 1,031,104</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule V – Schedules of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Unrestricted Net Assets to Net Cash Flows from Operating Activities		
Change in net assets without donor restrictions	\$ 4,770,206	\$ 1,079,517
Adjustments to reconcile change in net assets without donor restrictions to net cash flows from operating activities:		
Depreciation and amortization	260,748	239,941
Net unrealized and realized gain on investments	(205,179)	(205,707)
Net gain on sale of property	(4,351,156)	-
Earnest money from forfeiture	-	(250,000)
Changes in operating assets and liabilities:		
Accounts receivable	29,525	(176,261)
Due from subsidiary	208,741	(187,280)
Due from affiliate	(25,349)	11,653
Prepaid expenses	(115,755)	26,102
Trade accounts payable	(319,026)	265,580
Due to members	(87,115)	77,610
Due to subsidiary	9,715	-
Due to affiliate	(11,425)	11,425
Wages and payroll taxes payable	11,399	1,176
Accrued annual leave	1,477	21,448
Deferred revenues	164,680	(255,106)
Income taxes payable	(14,497)	8,255
Total adjustments	<u>(4,443,217)</u>	<u>(411,164)</u>
Net cash flows from operating activities	<u>\$ 326,989</u>	<u>\$ 668,353</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule VI – Schedules of Revenues
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Membership fees	\$ 62,355	\$ 59,350
Simmental registration-domestic:		
Purebred males	127,754	132,804
Purebred females	305,908	317,002
Percentage males	252,740	256,564
Percentage females	549,798	586,850
	<u>1,236,200</u>	<u>1,293,220</u>
Simbrah registration:		
Purebred males	6,096	5,906
Purebred females	25,558	21,004
Percentage males	1,316	1,828
Percentage females	6,182	5,140
	<u>39,152</u>	<u>33,878</u>
Transfers-ASA	<u>70,660</u>	<u>71,380</u>
Registrations-other breeds:		
Foundation males	650	550
Foundation females	918	1,088
Male foreign herdbook	19,800	18,100
Female foreign herdbook	30,158	30,838
	<u>51,526</u>	<u>50,576</u>
Registration related income:		
Animal name change	6,525	2,685
Database entry fee	836	2,660
Corrections or duplicates	4,685	5,630
Priority handling	17,040	20,800
Miscellaneous	1,260	4,770
	<u>30,346</u>	<u>36,545</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule VI – Schedules of Revenues (Continued)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Other Operating Revenue (Expense)		
Membership lists	4,920	14,496
Herd letter prefix	7,190	6,180
Credit card discount fee	(84,009)	(90,364)
Miscellaneous	2,563	4,730
	<u>(69,336)</u>	<u>(64,958)</u>
Annual Service Fees	<u>721,925</u>	<u>702,614</u>
DNA Revenue		
DNA analysis-voluntary	74,952	70,914
DNA - Horn Polled	95,518	173,946
DNA - Dilutor	7,020	8,520
DNA - coat color	103,384	129,082
DNA - genetic defect test	63,312	78,738
SNP Analysis	189,960	167,469
Other Testing	690,344	1,141,648
	<u>1,224,490</u>	<u>1,770,317</u>
Youth Programs		
Youth & Education Programs	134,515	85,569
AJSA Sales	-	793
	<u>134,515</u>	<u>86,362</u>
Genetic Evaluation Services	<u>242,796</u>	<u>225,890</u>
Services and Carcass Merit	<u>37,000</u>	<u>30,500</u>
Total Herd Enrollment	<u>1,331,452</u>	<u>1,348,416</u>
Total operating revenue	<u>5,113,081</u>	<u>5,644,090</u>
Other Revenue (Expense)		
Interest and dividend income	187,033	342,927
Rent income	40,000	35,000
Unrealized gain on investments	205,179	205,707
Gain on sale of property	4,351,156	-
Earnest money forfeiture	-	250,000
	<u>4,783,368</u>	<u>833,634</u>
Total Revenue	<u>\$ 9,896,449</u>	<u>\$ 6,477,724</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule VII – Schedules of Expenses
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Expenses		
Personnel		
Salaries	\$ 1,730,165	\$ 1,669,774
Services provided to ASA Publication, Inc.	(90,064)	(188,381)
Services provided to American Simmental/Simbrah Foundation, Inc.	(5,612)	-
Health, life, LTD insurance	280,719	248,065
Payroll taxes	132,098	128,047
Retirement contributions and other employee benefits	96,215	87,872
Annual leave	1,476	21,448
	<u>2,144,997</u>	<u>1,966,825</u>
Service		
DNA-50k/HD	152,135	-
DNA analysis	681,297	1,345,943
DNA/hair sample collectors	76,539	57,368
SimChoice	-	319
Software expense	6,624	5,935
	<u>916,595</u>	<u>1,409,565</u>
Professional Fees		
Accounting	22,480	21,000
Legal	175,399	59,906
Research	19,104	66,532
Professional	164,871	99,628
	<u>381,854</u>	<u>247,066</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule VII – Schedules of Expenses (Continued)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Office Expenses		
Bad debt	\$ 1,619	\$ 413
Dues and subscriptions	14,614	19,127
Insurance	46,333	46,036
Office expense	25,615	26,945
Postage and freight	84,106	79,327
Penalties and interest	518	-
Printing	25,164	70,719
Property tax	64,409	31,431
Telephone	36,709	28,036
Utilities	16,690	18,441
Depreciation	159,115	157,810
Amortization	101,633	82,131
	<u>576,525</u>	<u>560,416</u>
Maintenance and Repairs		
Building and ground	20,837	19,290
Equipment	10,819	17,563
	<u>31,656</u>	<u>36,853</u>
Travel		
Meals, lodging, transportation and facilities	<u>405,073</u>	<u>371,567</u>
Advertising and Promotions		
Advertising	244,615	248,076
Gifts and awards	16,382	71,533
Carcass Merit Project	40,557	60,462
State check-off and cost share dollars	112,361	129,758
Advertising and promotion development	101,809	46,357
Subscriptions	150,000	150,000
	<u>665,724</u>	<u>706,186</u>
Total Expenses	<u>\$ 5,122,424</u>	<u>\$ 5,298,478</u>

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ASA Publications, Inc.

Supplementary Schedules VIII-XIII

Subsidiary Company

AMERICAN SIMMENTAL ASSOCIATION
Schedule VIII – Schedules of Assets, Liabilities, and Equity
Subsidiary Company
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 287,951	\$ 495,656
Accounts receivable, net of allowance for doubtful accounts of \$11,540 and \$14,365	107,012	122,691
Due from parent company	9,715	-
Prepaid expenses	60,894	50,610
Prepaid income tax	4,718	8
Total current assets	<u>470,290</u>	<u>668,965</u>
Property and Equipment		
Office furniture and fixtures and computer hardware	34,210	34,210
Less: Accumulated depreciation	<u>(32,344)</u>	<u>(31,205)</u>
Total property and equipment, net	<u>1,866</u>	<u>3,005</u>
Other Assets		
Deferred income tax assets, noncurrent	<u>13,884</u>	<u>13,217</u>
Total Assets	<u>\$ 486,040</u>	<u>\$ 685,187</u>
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ -	\$ 481
Due to parent company	-	208,741
Wages, commissions and payroll taxes payable	1,983	-
Accrued annual leave	76,986	66,527
Subscriptions received in advance	1,199	777
Advertising received in advance	<u>11,352</u>	<u>17,902</u>
Total current liabilities	<u>91,520</u>	<u>294,428</u>
Equity		
Common stock, \$1 par value; 50,000 shares authorized; 1,000 shares issued and outstanding	1,000	1,000
Paid-in capital	175,000	175,000
Retained earnings	<u>218,520</u>	<u>214,759</u>
Total equity	<u>394,520</u>	<u>390,759</u>
Total Liabilities and Equity	<u>\$ 486,040</u>	<u>\$ 685,187</u>

See Independent Auditors' Report

AMERICAN SIMMENTAL ASSOCIATION
Schedule IX – Schedules of Revenues and Expenses
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Subscriptions	\$ 151,428	\$ 152,186
Advertising income	550,947	635,228
Production income	69,241	54,181
Advertising income, other publications	355,304	338,444
Other operation revenue, including discounts	6,145	9,779
	<u>1,133,065</u>	<u>1,189,818</u>
Operating Expenses		
Personnel	462,701	529,279
Professional fees	30,671	33,353
Office expense	49,146	57,638
Rent	40,000	35,000
Travel	11,153	14,659
Production expenses	325,686	313,342
Mailing expenses	198,391	179,029
Other operating expenses	9,981	9,010
	<u>1,127,729</u>	<u>1,171,310</u>
Operating income	<u>5,336</u>	<u>18,508</u>
Income before provision for income taxes	5,336	18,508
Provision for Income Taxes	<u>(1,575)</u>	<u>(5,295)</u>
Net Income	<u>\$ 3,761</u>	<u>\$ 13,213</u>

See Independent Auditors' Report

AMERICAN SIMMENTAL ASSOCIATION
Schedule X– Schedules of Changes in Equity
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>Capital Stock</u>	<u>Paid-in Capital</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Balance, June 30, 2018	\$ 1,000	\$ 175,000	\$ 201,546	\$ 377,546
Net Income	-	-	13,213	13,213
Balance, June 30, 2019	1,000	175,000	214,759	390,759
Net Income	-	-	3,761	3,761
Balance, June 30, 2020	\$ 1,000	\$ 175,000	\$ 218,520	\$ 394,520

See Independent Auditors' Report

AMERICAN SIMMENTAL ASSOCIATION
Schedule XI– Schedules of Cash Flows
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,139,029	\$ 1,205,304
Cash paid to suppliers and employees	(1,345,159)	(1,005,137)
Income taxes (paid)	(1,575)	(6,180)
	<u>(207,705)</u>	<u>193,987</u>
Net cash flows from operating activities	(207,705)	193,987
Net change in cash and cash equivalents	(207,705)	193,987
Cash and cash equivalents at beginning of year	<u>495,656</u>	<u>301,669</u>
Cash and cash equivalents at end of year	<u>\$ 287,951</u>	<u>\$ 495,656</u>
Reconciliation of Net Income to Net Cash Flows from Operating Activities		
Net Income	\$ 3,761	\$ 13,213
Adjustments to reconcile change in equity to net cash flows from operating activities:		
Depreciation	1,139	1,140
Changes in operating assets and liabilities:		
Accounts receivable	15,679	15,486
Due from parent company	(9,715)	-
Prepaid expenses	(10,284)	(33,488)
Prepaid taxes	(4,710)	(8)
Deferred tax asset	(667)	(1,833)
Trade accounts payable	(481)	271
Due to parent company	(208,741)	187,280
Wages, commissions and payroll taxes payable	1,983	-
Accrued annual leave	10,459	9,314
Income taxes payable	-	(885)
Subscriptions received in advance	422	(236)
Advertising received in advance	(6,550)	3,733
	<u>(211,466)</u>	<u>180,774</u>
Total adjustments	(211,466)	180,774
Net cash flows from operating activities	<u>\$ (207,705)</u>	<u>\$ 193,987</u>

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AMERICAN SIMMENTAL ASSOCIATION
Schedule XII– Schedules of Revenues
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Subscriptions		
Domestic - parent company	\$ 148,000	\$ 148,000
Foreign - parent company	2,000	2,000
Domestic - other	1,428	1,886
Foreign - other	-	300
	<u>151,428</u>	<u>152,186</u>
Advertising Income		
AD - 1 page	152,350	194,380
AD - 2/3 page	3,000	3,060
AD - 1/2 page	28,060	31,040
AD - 1/3 page	8,330	9,480
AD - 1/4 page	5,510	3,470
AD - 1 inch	33,253	25,461
AD - 2 inch	6,775	5,303
AD - 3 inch	-	150
AD - cover, preferential pages	144,300	163,800
Advertising income non-space	91,229	105,099
Buyers guide	62,325	76,350
Calendar	600	1,020
Catalogs and brochures	15,215	16,615
	<u>550,947</u>	<u>635,228</u>
Production Income	<u>69,241</u>	<u>54,181</u>
Advertising Income, Simtalk	<u>355,304</u>	<u>338,444</u>
Other Operating Revenue		
Internet advertising	27,066	34,930
Late fees	802	(905)
Reversed charges and discounts	(21,217)	(25,589)
Interest income	154	253
Other	(660)	1,090
	<u>6,145</u>	<u>9,779</u>
Total Revenue	<u>\$ 1,133,065</u>	<u>\$ 1,189,818</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XIII– Schedules of Expenses
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Expenses		
Personnel		
Salaries	\$ 285,548	\$ 247,036
Salaries provided by American Simmental Association	90,064	188,381
Commissions	-	9,969
Health, life and LTD insurance	36,777	35,974
Payroll taxes	20,798	18,648
Retirement contributions	19,055	19,957
Annual leave	10,459	9,314
	<u>462,701</u>	<u>529,279</u>
Professional Fees		
Accounting	5,000	6,000
Legal	21,550	27,253
Other	4,121	100
	<u>30,671</u>	<u>33,353</u>
Office Expenses		
Dues and subscriptions	1,550	1,550
Equipment maintenance and rent	13,395	16,838
Insurance	11,193	10,770
Office expense	8,973	10,903
Postage and freight	4,246	2,696
Software	1,250	100
Printing	-	1,565
Telephone	8,539	13,216
	<u>49,146</u>	<u>57,638</u>
Rent	<u>40,000</u>	<u>35,000</u>
Travel		
Meals	1,448	2,143
Lodging	2,630	3,254
Transportation	7,075	9,262
	<u>\$ 11,153</u>	<u>\$ 14,659</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XIII– Schedules of Expenses (Continued)
Subsidiary Company
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Production of Magazine		
Printing	\$ 325,686	\$ 313,342
Postage	198,391	179,029
	<u>524,077</u>	<u>492,371</u>
Miscellaneous Expenses		
Internet/web services	-	78
Penalties and interest	47	63
Bad debts	8,795	7,729
Depreciation	1,139	1,140
	<u>9,981</u>	<u>9,010</u>
Total Expenses	<u>\$ 1,127,729</u>	<u>\$ 1,171,310</u>

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American Simmental/Simbrah Foundation, Inc.

SUPPLEMENTARY SCHEDULES XIV-XVIII

Affiliate Company

AMERICAN SIMMENTAL ASSOCIATION
Schedule XIV– Schedules of Financial Position
Affiliate Company
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 656,946	\$ 476,777
Accounts receivable	37,222	43,133
Due from parent company	-	11,425
Total current assets	<u>694,168</u>	<u>531,335</u>
Investments	<u>397,008</u>	<u>371,929</u>
Total Assets	<u>\$ 1,091,176</u>	<u>\$ 903,264</u>
Liabilities and Net Assets		
Liabilities		
Due to parent company	<u>\$ 25,349</u>	<u>\$ -</u>
Total liabilities	<u>25,349</u>	<u>-</u>
Net Assets		
Without donor restrictions	596,041	571,809
With donor restrictions	<u>469,786</u>	<u>331,455</u>
Total net assets	<u>1,065,827</u>	<u>903,264</u>
Total Liabilities and Net Assets	<u>\$ 1,091,176</u>	<u>\$ 903,264</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XV – Schedule of Activities and Changes in Net Assets
Affiliate Company
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 105,778	\$ 180,908	\$ 286,686
Investment income	11,129	-	11,129
Unrealized gain on investment	15,210	-	15,210
	<u>132,117</u>	<u>180,908</u>	<u>313,025</u>
Satisfaction of Program Restrictions	<u>42,577</u>	<u>(42,577)</u>	<u>-</u>
Expenses			
Program activities	87,491	-	87,491
General and Administrative	42,990	-	42,990
Fundraising	19,981	-	19,981
	<u>150,462</u>	<u>-</u>	<u>150,462</u>
Change in Net Assets	24,232	138,331	162,563
Net Assets at beginning of year	<u>571,809</u>	<u>331,455</u>	<u>903,264</u>
Net Assets at end of year	<u>\$ 596,041</u>	<u>\$ 469,786</u>	<u>\$ 1,065,827</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XVI – Schedule of Activities and Changes in Net Assets
Affiliate Company
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 139,320	\$ 113,890	\$ 253,210
Investment income	13,986	-	13,986
Unrealized gain on investment	13,229	-	13,229
	<u>166,535</u>	<u>113,890</u>	<u>280,425</u>
Satisfaction of Program Restrictions	<u>27,038</u>	<u>(27,038)</u>	<u>-</u>
Expenses			
Program activities	103,288	-	103,288
General and Administrative	45,576	-	45,576
Fundraising	13,284	-	13,284
	<u>162,148</u>	<u>-</u>	<u>162,148</u>
Change in Net Assets	31,425	86,852	118,277
Net Assets at beginning of year	<u>540,384</u>	<u>244,603</u>	<u>784,987</u>
Net Assets at end of year	<u>\$ 571,809</u>	<u>\$ 331,455</u>	<u>\$ 903,264</u>

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AMERICAN SIMMENTAL ASSOCIATION
Schedule XVII – Schedule of Functional Expenses
Affiliate Company
For the Year Ended June 30, 2020

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Regional Classic support	\$ 14,000	\$ -	\$ -	\$ 14,000
Scholarships paid	52,250	-	-	52,250
Banquets expense	-	8,000	-	8,000
Event expense	20,000	22,979	-	42,979
Accounting expense	-	10,459	-	10,459
Miscellaneous expenses	-	591	-	591
YBIC expenses	1,241	961	-	2,202
Fundraising expenses	-	-	19,981	19,981
Total	<u>\$ 87,491</u>	<u>\$ 42,990</u>	<u>\$ 19,981</u>	<u>\$ 150,462</u>

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XVII – Schedule of Functional Expenses (continued)
Affiliate Company
For the Year Ended June 30, 2019

	Program Activities	General and Administrative	Fundraising	Total
Regional Classic support	\$ 59,325	\$ -	\$ -	\$ 59,325
Scholarships paid	37,500	-	-	37,500
Banquets expense	-	1,369	-	1,369
Event expense	-	24,698	-	24,698
Accounting expense	-	11,954	-	11,954
Miscellaneous expenses	-	5,120	-	5,120
YBIC expenses	6,463	2,435	-	8,898
Fundraising expenses	-	-	13,284	13,284
Total	\$ 103,288	\$ 45,576	\$ 13,284	\$ 162,148

See Independent Auditors' Report.

AMERICAN SIMMENTAL ASSOCIATION
Schedule XVIII – Statements of Cash Flows
Affiliate Company
For the Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from contributions	\$ 304,022	\$ 227,595
Investment income	11,129	13,986
Support paid	(105,132)	(160,517)
Miscellaneous expenses paid	<u>(19,981)</u>	<u>(13,284)</u>
Net cash flows from operating activities	<u>190,038</u>	<u>67,780</u>
Cash Flows From Investing Activities		
Purchases of investments	<u>(9,869)</u>	<u>(12,540)</u>
Net cash flows from investing activities	<u>(9,869)</u>	<u>(12,540)</u>
Net change in cash and cash equivalents	180,169	55,240
Cash and cash equivalents at beginning of year	<u>476,777</u>	<u>421,537</u>
Cash and cash equivalents at end of year	<u>\$ 656,946</u>	<u>\$ 476,777</u>
Reconciliation of Change in Net Assets to		
Net Cash Flows from Operating Activities		
Change in net assets	\$ 162,563	\$ 118,277
Adjustments to reconcile change in net assets		
to net cash flows from operating activities:		
Net unrealized and realized gain on investments	(15,210)	(13,229)
Changes in operating assets:		
Accounts receivable	5,911	(14,190)
Due from parent company	11,425	(11,425)
Due to parent company	<u>25,349</u>	<u>(11,653)</u>
Net cash flows from operating activities	<u>\$ 190,038</u>	<u>\$ 67,780</u>

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American Simmental Association
SUPPLEMENTARY SCHEDULE XIX
Intercompany Balances and Transactions

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AMERICAN SIMMENTAL ASSOCIATION
Schedule XIX – Intercompany Balances and Transactions
As of and For the Years Ended June 30, 2020 and 2019

Balances	2020	2019
American Simmental Association		
accounts receivable due from ASA Publications, Inc.	\$ -	\$ 208,741
accounts receivable due from American Simmental/Simbrah Foundation, Inc.	\$ 25,349	\$ -
American Simmental/Simbrah Foundation, Inc.		
accounts receivable due from American Simmental Association	\$ -	\$ 11,425
ASA Publications, Inc.		
accounts receivable due from American Simmental Association	\$ 9,715	\$ -
American Simmental Association		
investment in ASA Publication, Inc.	\$ 176,000	\$ 176,000
Transactions		
ASA Publication, Inc. revenue from		
American Simmental Association:		
Subscription	\$ 150,000	\$ 150,000
Advertising	\$ 156,238	\$ 190,245
American Simmental Association		
revenue from ASA Publication, Inc.:		
Personnel services	\$ 90,064	\$ 188,381
Rent income	\$ 40,000	\$ 35,000
American Simmental Association		
revenue from American Simmental/Simbrah Foundation, Inc.:		
Personnel services	\$ 5,612	\$ -

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