

ARKANSAS LIVESTOCK SHOW ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
Arkansas Livestock Show Association

Report on the Financial Statements

We have audited the accompanying financial statements of Arkansas Livestock Show Association, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkansas Livestock Show Association as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, Arkansas Livestock Show Association adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Hogan Taylor LLP

Little Rock, Arkansas
August 2, 2019

ARKANSAS LIVESTOCK SHOW ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 644,398 | \$ 214,255 |
| Accounts receivable | 72,723 | 873,749 |
| Other current assets | <u>60,182</u> | <u>66,743</u> |
| Total current assets | 777,303 | 1,154,747 |
| Property and equipment, net | <u>2,236,166</u> | <u>2,285,400</u> |
| Total assets | <u>\$ 3,013,469</u> | <u>\$ 3,440,147</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 295,560 | \$ 378,556 |
| Accrued liabilities | 88,672 | 89,258 |
| Line of credit | 100,000 | - |
| Deferred revenue, current portion | 100,000 | 111,778 |
| Scholarships payable, current portion | 102,925 | 98,100 |
| Notes payable, current portion | <u>2,618</u> | <u>111,064</u> |
| Total current liabilities | 689,775 | 788,756 |
| Long-term liabilities: | | |
| Scholarships payable, less current portion | 97,850 | 94,350 |
| Notes payable, less current portion | - | 320,156 |
| Deferred revenue, less current portion | <u>200,000</u> | <u>300,000</u> |
| Total long-term liabilities | <u>297,850</u> | <u>714,506</u> |
| Total liabilities | 987,625 | 1,503,262 |
| Net assets: | | |
| Without donor restrictions | 1,987,024 | 1,896,385 |
| With donor restrictions | <u>38,820</u> | <u>40,500</u> |
| Total net assets | <u>2,025,844</u> | <u>1,936,885</u> |
| Total liabilities and net assets | <u>\$ 3,013,469</u> | <u>\$ 3,440,147</u> |

ARKANSAS LIVESTOCK SHOW ASSOCIATION

STATEMENT OF ACTIVITIES AND NET ASSETS

Year ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|----------------------------------|-------------------------------|--------------|
| Support and revenues: | | | |
| Ticket sales | \$ 600,924 | \$ - | \$ 600,924 |
| Parking | 193,468 | - | 193,468 |
| Carnival | 684,581 | - | 684,581 |
| Concessions | 863,743 | - | 863,743 |
| Entry fees | 150,355 | - | 150,355 |
| Exhibitor fees | 89,540 | - | 89,540 |
| Rental | 486,300 | - | 486,300 |
| Sponsorships | 350,752 | - | 350,752 |
| Contributions | 220,248 | - | 220,248 |
| State funding | 1,972,935 | - | 1,972,935 |
| In-kind contributions | 268,109 | - | 268,109 |
| Other income | 64,284 | (1,180) | 63,104 |
| Net assets released from restriction | 500 | (500) | - |
| Total support and revenues | 5,945,739 | (1,680) | 5,944,059 |
| Expenses: | | | |
| Arkansas State Fair and other events | 4,601,084 | - | 4,601,084 |
| Management and general | 1,145,445 | - | 1,145,445 |
| Fundraising | 108,571 | - | 108,571 |
| Total expenses | 5,855,100 | - | 5,855,100 |
| Change in net assets | 90,639 | (1,680) | 88,959 |
| Net assets, beginning of year | 1,896,385 | 40,500 | 1,936,885 |
| Net assets, end of year | \$ 1,987,024 | \$ 38,820 | \$ 2,025,844 |

ARKANSAS LIVESTOCK SHOW ASSOCIATION
STATEMENT OF ACTIVITIES AND NET ASSETS

Year ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|----------------------------------|-------------------------------|---------------------|
| Support and revenues: | | | |
| Ticket sales | \$ 635,220 | \$ - | \$ 635,220 |
| Parking | 240,740 | - | 240,740 |
| Carnival | 898,449 | - | 898,449 |
| Concessions | 606,781 | - | 606,781 |
| Entry fees | 159,772 | - | 159,772 |
| Exhibitor fees | 87,535 | - | 87,535 |
| Rental | 439,449 | - | 439,449 |
| Sponsorships | 402,568 | - | 402,568 |
| Contributions | 1,086,749 | - | 1,086,749 |
| State funding | 1,006,685 | - | 1,006,685 |
| In-kind contributions | 249,103 | - | 249,103 |
| Other income | 55,871 | - | 55,871 |
| Total support and revenues | 5,868,922 | - | 5,868,922 |
| Expenses: | | | |
| Arkansas State Fair and other events | 4,177,058 | - | 4,177,058 |
| Management and general | 989,778 | - | 989,778 |
| Fundraising | 170,668 | - | 170,668 |
| Total expenses | 5,337,504 | - | 5,337,504 |
| Change in net assets | 531,418 | - | 531,418 |
| Net assets, beginning of year | 1,364,967 | 40,500 | 1,405,467 |
| Net assets, end of year | \$ 1,896,385 | \$ 40,500 | \$ 1,936,885 |

ARKANSAS LIVESTOCK SHOW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

| | Arkansas State Fair and Other Events | Management and General | Fundraising | Total |
|---|---|------------------------------|-------------------|---------------------|
| Personnel and related expenses | \$ 1,261,446 | \$ 190,504 | \$ 23,088 | \$ 1,475,038 |
| Arkansas State Fair entertainment | 378,803 | - | - | 378,803 |
| Arkansas State Fair other fair expenses | 619,896 | - | - | 619,896 |
| Advertising and promotions | 2,919 | 503,805 | - | 506,724 |
| Sponsorship commission and expenses | - | - | 84,402 | 84,402 |
| Concessions and concessions commission | 393,977 | - | - | 393,977 |
| Temporary labor and event staff | 439,643 | 57,246 | - | 496,889 |
| Creative arts and livestock premiums | 167,318 | - | - | 167,318 |
| Junior livestock sale and other livestock expenses | 224,674 | - | - | 224,674 |
| Scholarships | 45,400 | - | - | 45,400 |
| Competitive events | 36,616 | - | - | 36,616 |
| Sales tax | 110,209 | - | - | 110,209 |
| Equipment, maintenance, repairs, and supplies | 239,008 | 112,018 | - | 351,026 |
| Insurance | 119,111 | 8,207 | 497 | 127,815 |
| Office | 11,053 | 85,155 | - | 96,208 |
| Professional fees | 19,231 | 30,254 | - | 49,485 |
| Bank and credit card fees | 32,623 | 1,078 | - | 33,701 |
| Dues, subscriptions, and licenses | 50,835 | 23,516 | - | 74,351 |
| Utilities | 247,480 | 13,025 | - | 260,505 |
| Other expenses | 53,356 | 80,951 | 584 | 134,891 |
| Depreciation | 147,486 | 7,762 | - | 155,248 |
| Interest | - | 31,924 | - | 31,924 |
| | <u>\$ 4,601,084</u> | <u>\$ 1,145,445</u> | <u>\$ 108,571</u> | <u>\$ 5,855,100</u> |

ARKANSAS LIVESTOCK SHOW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2017

| | Arkansas State Fair and Other Events | Management and General | Fundraising | Total |
|---|---|------------------------------|-------------------|---------------------|
| Personnel and related expenses | \$ 890,406 | \$ 184,269 | \$ 28,912 | \$ 1,103,587 |
| Arkansas State Fair entertainment | 380,871 | - | - | 380,871 |
| Arkansas State Fair other fair expenses | 644,791 | - | - | 644,791 |
| Advertising and promotions | 10,803 | 478,061 | - | 488,864 |
| Sponsorship commission and expenses | - | - | 132,552 | 132,552 |
| Concessions and concessions commission | 263,892 | - | - | 263,892 |
| Temporary labor and event staff | 535,802 | 18,615 | - | 554,417 |
| Creative arts and livestock premiums | 185,690 | - | - | 185,690 |
| Junior livestock sale and other livestock expenses | 217,282 | - | - | 217,282 |
| Scholarships | 58,250 | - | - | 58,250 |
| Competitive events | 38,273 | - | - | 38,273 |
| Sales tax | 77,582 | - | - | 77,582 |
| Equipment, maintenance, repairs, and supplies | 186,107 | 50,186 | - | 236,293 |
| Insurance | 133,144 | 8,837 | 502 | 142,483 |
| Office | 19,780 | 67,433 | - | 87,213 |
| Professional fees | 15,926 | 44,105 | 597 | 60,628 |
| Bank and credit card fees | 26,133 | 418 | - | 26,551 |
| Dues, subscriptions, and licenses | 50,835 | 21,796 | - | 72,631 |
| Utilities | 232,525 | 12,238 | - | 244,763 |
| Other expenses | 60,137 | 63,881 | 8,105 | 132,123 |
| Depreciation | 148,829 | 7,833 | - | 156,662 |
| Interest | - | 32,106 | - | 32,106 |
| | <u>\$ 4,177,058</u> | <u>\$ 989,778</u> | <u>\$ 170,668</u> | <u>\$ 5,337,504</u> |

ARKANSAS LIVESTOCK SHOW ASSOCIATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|------------|------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 88,959 | \$ 531,418 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 155,248 | 156,662 |
| Loss on disposal of property and equipment | 2,702 | - |
| Contributions of equipment and property improvements | (8,235) | (15,000) |
| Contribution from forgiveness of note payable | - | (32,740) |
| Change in: | | |
| Accounts receivable | 801,026 | (782,272) |
| Other current assets | 6,561 | (5,018) |
| Accounts payable | (82,996) | 174,070 |
| Accrued liabilities | (586) | 7,123 |
| Deferred revenue | (111,778) | (89,623) |
| Scholarships payable | 8,325 | 4,550 |
| | 859,226 | (50,830) |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (100,481) | (175,432) |
| Cash Flows from Financing Activities | | |
| Net borrowings on line of credit | 100,000 | - |
| Payments on notes payable | (428,602) | (108,894) |
| | (328,602) | (108,894) |
| Net cash used in financing activities | (328,602) | (108,894) |
| Change in cash and cash equivalents | 430,143 | (335,156) |
| Cash and cash equivalents, beginning of year | 214,255 | 549,411 |
| Cash and cash equivalents, end of year | \$ 644,398 | \$ 214,255 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid for interest | \$ 33,766 | \$ 32,684 |

ARKANSAS LIVESTOCK SHOW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1 – Organization

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents

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

The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

The Association uses the allowance method to estimate uncollectible receivable balances. The Association does a specific review of the receivables to determine the necessary allowance. Uncollectible accounts receivable are written off after all collection efforts have been exhausted and it has been determined that they will not be collected. Management has determined no allowance was necessary as of December 31, 2018 or 2017.

Property and equipment

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

Net assets classification

The Association distinguishes between net assets without donor restrictions and net assets with donor restrictions and changes in net assets in the accompanying financial statements. A description of these net asset classifications is as follows:

Net assets without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Governors (the Board) and/or management for general operating purposes of the Association. From time to time the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. Board-designated net assets may be earmarked for the support of both current and future programs, maintenance of the fairgrounds, acquisition of assets, or other uses. At December 31, 2018 and 2017, there were no board-designated endowments. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met by expenditures or actions of the Association. Such restrictions include time and purpose restrictions imposed by donors, as well as restrictions imposed by law that restricts net investment income and gains on donor-restricted endowed funds until appropriated for expenditure. Other donor-imposed restrictions are perpetual in nature but permit the Association to expend the income generated in accordance with the provision of the related donor agreements. All net assets with donor restrictions of the Association as of December 31, 2018 and 2017, are perpetual in nature and the Association may use all income generated from the assets.

Spending policy

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

Net assets released from restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets.

In-kind contributions

In-kind contributions have been reported as income in the accompanying statements of activities and net assets for voluntary donations of services when those services create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills, and which would typically be purchased if not provided by donation. In-kind contributions consisted primarily of advertising and equipment usage and totaled approximately \$268,000 and \$249,000 for the years ended December 31, 2018 and 2017, respectively.

Functional expenses

Functional expenses have been allocated between the Arkansas State Fair and other events, management and general, and fundraising expenses. Personnel related expenses are allocated based on an estimate of actual time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

Income taxes

The Association is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as other than a private foundation. The Foundation is also exempt from state tax under similar provisions of state law. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Association files an income tax return in the United States federal jurisdiction.

Advertising

Advertising, which is expensed as incurred, totaled approximately \$504,000 and \$489,000 for the years ended December 31, 2018 and 2017, respectively.

Recent accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU: (1) replaces the three current classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes – "net assets with donor restrictions" and "net assets without donor restrictions"; (2) expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowments; (3) requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses; (4) requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk; and (5) requires investment returns to be presented net of external and direct internal investment expenses. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Association adopted this ASU as of and for the year ended December 31, 2018. As a result, changes in terminology used to describe categories of net assets throughout the financial statements were made as well as expanded footnote disclosures as required by this ASU. The Foundation elected to not disclose the liquidity and availability of resources for 2017 as permitted under the ASU in the year of adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing U.S. GAAP revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 one year, making it effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim period within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association is currently evaluating the impact of adopting this new standard on its financial statements.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation required by ASU 2016-14. The most significant reclassifications include the change from three classes of net assets to two as well as the presentation of investment returns net of investment-related expenses. These reclassifications had no impact on the previously reported change in net assets.

Subsequent events

Subsequent events have been evaluated for recognition and disclosure through August 2, 2019, the date the financial statements were available to be issued.

Note 3 – Property and Equipment

Property and equipment consisted of the following as of December 31:

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Land and land improvements | \$ 803,171 | \$ 716,047 |
| Equipment | 828,833 | 880,215 |
| Barton Coliseum | 4,204,998 | 4,296,823 |
| Hall of Industry | 315,197 | 318,974 |
| Museum | 37,559 | 37,559 |
| Leasehold improvements | 1,580,808 | 1,591,460 |
| Automobiles | 41,925 | 41,925 |
| Other buildings | 3,699,533 | 3,699,533 |
| Total | 11,512,024 | 11,582,536 |
| Less accumulated depreciation and amortization | (9,275,858) | (9,297,136) |
| Total property and equipment, net | <u>\$ 2,236,166</u> | <u>\$ 2,285,400</u> |

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

Effective January 1, 2014, the Association began leasing a portion of land to an unrelated party for an initial term of five years at \$12,000 per year. The income from this lease is included as other income in the accompanying statement of activities and net assets. The lease allows for four additional extensions of the lease terms at five-year terms per extension. The first five-year extension was effective on January 1, 2019, and the lease under this extension will expire on December 31, 2023, unless further extension options are utilized.

Note 4 – Line of Credit

The Association established a line of credit with a financial institution in February 2016, with a maximum borrowing amount of \$100,000, bearing interest at a rate of 5.5% and maturing in March 2017. In March 2017, this line of credit was extended to March 2018, and the interest rate was increased to 6%. In March 2018, this line of credit was extended to March 2019, and the interest rate was increased to 6.25%. There were no borrowings during the year ended December 31, 2017. As of December 31, 2018, the Association had outstanding borrowings of \$100,000 on this line of credit. In March 2019, the line of credit was renewed and will mature in March 2020.

Note 5 – Notes Payable

Notes payable consisted of the following as of December 31:

| | <u>2018</u> | <u>2017</u> |
|--|----------------|-------------------|
| Note payable to a financial institution, bearing interest at 6.99%, due in monthly installments of \$195 through December 2019, and secured by equipment of the Association. | \$ 2,618 | \$ 4,696 |
| Note payable to a financial institution, bearing interest at 6.67%, due in monthly installments of \$11,180 through July 2021, and secured by leasehold improvements of the Association. | - | <u>426,524</u> |
| | 2,618 | 431,220 |
| Less current portion of notes payable | <u>(2,618)</u> | <u>(111,064)</u> |
| Notes payable, less current portion | <u>\$ -</u> | <u>\$ 320,156</u> |

A note payable in the amount of \$34,229 as of December 31, 2016, was due to a corporation of which a member of the Board of Governors of the Association is a member of management of that corporation. During the year ended December 31, 2017, that corporation voted to forgive the remaining balance of this note payable of \$32,740. The Association recorded the forgiveness as a contribution on the accompanying statement of activities and net assets for the year ended December 31, 2017.

During 2018, the Association utilized funds received from the City of Little Rock (the City) as described in Note 8 and paid in full the remaining balance of the note payable to a financial institution which was outstanding in the amount of \$426,524 as of December 31, 2017.

Note 6 – Retirement Plan

The Association sponsors a 401(k) retirement plan covering substantially all full-time employees. Eligible employees may contribute up to the Code limits. The Association makes a matching contribution of 100% of up to 1.25% of each employee's compensation and may make discretionary nonmatching contributions. The amount contributed for the years ended December 31, 2018 and 2017, was approximately \$9,000 and \$8,000, respectively.

Note 7 – Concentrations

During the years ended December 31, 2018 and 2017, the Association received funding of \$1,972,935 and \$1,006,685, respectively, from the state of Arkansas. These funds represented 33% and 17% of total support and revenues for the years ended December 31, 2018 and 2017, respectively. The funding received by the Association from the state of Arkansas during the year ended December 31, 2018, including a one-time contribution of \$911,050. Turnback funds of \$887,908 per year have been appropriated until 2020, but are dependent upon approval by the Arkansas Legislature. Approximately 45% and 49% of total support and revenues in 2018 and 2017 is attributable to one event, the Arkansas State Fair.

The Association underwent a lighting improvement project in 2014 and obtained financing in the amount of \$752,791 for this lighting project. The Association believed this project met the requirements for reimbursement from the City from a 3.8% capital sales tax that was levied in 2011; however, the Association has been in negotiation with the City for collection of the funds used for the lighting project since that time. In April 2018, the Association and the City reached a written agreement regarding the funds available to the Association in connection with that 3.8% capital sales tax levied in 2011. This agreement states that the City will provide funds up to \$3,000,000 through December 31, 2022, to the Association for expansion and capital improvement of facilities that can enhance the Arkansas State Fairgrounds. This agreement requires the Association to remain at the current location through 2027, or the Association shall repay to the City any part of the funds paid from this agreement reached in April 2018. The Association believes there to be only a remote possibility of moving from the fairgrounds within this time frame as it did a thorough evaluation and study of possible other fairground locations in 2012 and made the decision to stay at the current fairgrounds. Following the signing of this agreement, the Association received funds from the City in 2018 in the amount of \$752,791 to reimburse for the lighting project from 2014. As this project was completed in prior years and the amount to be received was known, the Association recorded the receivable from the City for this amount at December 31, 2017, and recorded the funds as a contribution during the year ended December 31, 2017. Total contributions from the City were approximately \$64,000 and \$901,000, which is 1% and 15% of total revenue for the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2016, the Association entered into a five-year agreement with a new carnival provider for the Arkansas State Fair, beginning with the 2017 Arkansas State Fair. In connection with signing this agreement, the Association received a one-time \$500,000 bonus, which is being recognized as revenue over the five-year contract term beginning in 2017. As of December 31, 2018 and 2017, deferred revenue of \$300,000 and \$400,000, respectively, was reflected in the statements of financial position related to this bonus from the carnival provider.

Note 8 – Liquidity and Availability of Financial Assets

The Association's financial assets available for general expenditure within one year of the December 31, 2018, statement of financial position are as follows:

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 644,398 |
| Accounts receivable | 72,723 |
| Other current assets | <u>60,182</u> |
| Total financial assets, at year-end | 777,303 |
| Less amounts unavailable for general expenditures within one year due to: | |
| Contractual or donor-imposed restrictions: | |
| Endowment funds | <u>(38,820)</u> |
| Total financial assets available to management for general expenditure within one year | <u>\$ 738,483</u> |

The majority the of the Association's support and revenues are not restricted by donors and the Association expenses are significantly related to the Arkansas State Fair and other operations related directly to their interest in the development of the livestock industry. As noted above, the Association received additional funds from the state of Arkansas during the year ended December 31, 2018, in the amount of \$911,050, due to revenue during the Arkansas State Fair not meeting budgeted and necessary amounts. The Association made significant personnel reductions in December 2018, is actively reducing other operational costs, and is making changes for the 2019 Arkansas State Fair that are expected to improve the financial results in 2019, without additional funds from the state of Arkansas. The Association incurred minimal expense related to the endowment during 2018. The Association is dependent on support and revenue from the 2019 Arkansas State Fair and other events to supplement financial assets available at year-end, to meet obligations as they come due.