# *Alpaca Owners Association, Inc. and Subsidiary*
# *Lincoln, Nebraska*

***December 31, 2015 and 2014***

*Financial Statements*
*and*
*Report of Independent Certified Public Accountants*

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Certified Public Accountants & Consultants

Alpaca Owners Association, Inc. and Subsidiary

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# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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



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**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpaca Owners Association, Inc. and Subsidiary as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information of Alpaca Owners Association, Inc. and Subsidiary 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 of Alpaca Owners Association, Inc. and Subsidiary. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary 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 of Alpaca Owners Association, Inc. and Subsidiary or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

HBE Becker Meyer Love LLP

April 11, 2016

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

| | 2015 | 2014 (as restated) |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents (note A) | $ 258,121 | $ 450,794 |
| Certificates of deposit | 949,140 | 848,757 |
| Accounts receivable (note A) | 28,762 | 2,685 |
| Prepaid expenses | 7,000 | 13,488 |
| Total current assets | 1,243,023 | 1,315,724 |
| PROPERTY AND EQUIPMENT (notes A and B) | 16,572 | 12,748 |
| OTHER ASSETS | | |
| Association software costs, less accumulated amortization of $1,095,700 (2015) and $976,301 (2014) (notes A and C) | 361,648 | 399,844 |
| Deposits | 3,490 | 3,490 |
| Total other assets | 365,138 | 403,334 |
| Total assets | $ 1,624,733 | $ 1,731,806 |

LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 46,762 | $ 42,669 |
| Accrued payroll | 6,593 | 3,800 |
| Accrued vacation (note A) | 32,345 | 32,345 |
| Deferred revenue (note A) | 122,977 | 119,647 |
| Total current liabilities | 208,677 | 198,461 |
| NET ASSETS (note A) | | |
| Unrestricted | 1,416,056 | 1,533,345 |
| Total liabilities and net assets | $ 1,624,733 | $ 1,731,806 |

See accompanying notes to financial statements.

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

| | 2015 | 2014 (as restated) |
|---|---|---|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| REVENUE | | |
| Registry income | $ 775,978 | $ 832,153 |
| National show | 248,547 | 332,193 |
| Show system | 179,069 | 186,462 |
| Member marketing | 39,202 | 65,604 |
| Membership and voting rights | 204,515 | 242,470 |
| Product income | 66,988 | 59,341 |
| Other member services | 92,761 | 73,378 |
| Other business income | 601 | 7,777 |
| Advertising income | 149,747 | 157,972 |
| Interest | 8,097 | 3,977 |
| Total revenue | 1,765,505 | 1,961,327 |
| EXPENSES (note D) | | |
| Program services | | |
| DNA testing and registration services | 395,430 | 441,425 |
| National show | 210,586 | 276,991 |
| Show system | 175,166 | 204,886 |
| Products | 804 | 5,715 |
| Other member services | 267,472 | 242,556 |
| Other AOA | 23,128 | 83,081 |
| Publication service | 117,874 | 196,510 |
| Total program services | 1,190,460 | 1,451,164 |
| Management and general | | |
| Management and general before depreciation and amortization | 568,162 | 828,673 |
| Depreciation and amortization | 124,172 | 174,911 |
| Total management and general | 692,334 | 1,003,584 |
| Total expenses | 1,882,794 | 2,454,748 |
| Change in net assets before change related to acquisition | (117,289) | (493,421) |
| Contribution received in acquisition | - | 684,702 |
| INCREASE (DECREASE) IN NET ASSETS | (117,289) | 191,281 |
| Net assets as beginning of year | 1,533,345 | 1,342,064 |
| Net assets at end of year | $ 1,416,056 | $ 1,533,345 |

See accompanying notes to financial statements.

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Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

| | 2015 | 2014 (as restated) |
|---|---|---|
| Cash flows from operating activities | | |
| Cash received from members | $ 1,638,570 | $ 1,951,056 |
| Cash paid to suppliers and employees | (1,741,917) | (2,222,657) |
| Miscellaneous services income | 92,761 | 73,378 |
| Investment income | 7,714 | 72 |
| Net cash used by operating activities | (2,872) | (198,151) |
| Cash flows from investing activities | | |
| Purchases of certificates of deposit | (300,000) | (650,000) |
| Proceeds from maturity or sale of certificates of deposit | 200,000 | 554,664 |
| Contribution received in acquisition | - | 684,702 |
| Purchase of equipment | (8,598) | (41,318) |
| Purchase of association software | (81,203) | (247,380) |
| Proceeds from sale of equipment | - | 7,504 |
| Net cash provided (used) by investing activities | (189,801) | 308,172 |
| Net increase (decrease) in cash and cash equivalents | (192,673) | 110,021 |
| Cash and cash equivalents at beginning of year | 450,794 | 340,773 |
| Cash and cash equivalents at end of year | $ 258,121 | $ 450,794 |
| Reconciliation of increase (decrease) in net assets to net cash used by operating activities | | |
| Increase (decrease) in net assets | $ (117,289) | $ 191,281 |
| Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities | | |
| Depreciation | 4,774 | 22,282 |
| Amortization | 119,399 | 152,629 |
| Loss on sale of assets | - | 66,628 |
| Reinvested interest | (383) | (3,905) |
| Contribution received in acquisition | - | (684,702) |
| (Increase) decrease in assets | | |
| Receivables | (26,077) | 456 |
| Prepaid expenses | 6,488 | (11,063) |
| Deposits | - | (3,490) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 4,093 | (21,047) |
| Accrued payroll | 2,793 | 3,800 |
| Accrued vacation | - | 11,449 |
| Accrued expenses | - | (16,399) |
| Deferred revenue | 3,330 | 93,930 |
| Total adjusment to increase (decrease) in net assets | 114,417 | (389,432) |
| Net cash used by operating activities | $ (2,872) | $ (198,151) |

See accompanying notes to financial statements.

As mentioned in Note I of the consolidated financial statements, on January 14, 2014, Alpaca Owners and Breeders Association, Inc. merged with the Alpaca Registry, Inc., who then changed their name to Alpaca Owners Association Inc. (the Association).

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

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

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

## NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

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

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

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

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

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method. Equipment and furniture and fixtures are depreciated over estimated useful lives from 3 to 10 years. It is the Association's policy to capitalize property and equipment over $2,500. Lesser amounts are expensed.

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

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

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

**Deferred Revenue.** Unearned income consists of membership dues, registration and DNA testing fees paid in advance of the period in which they are earned.

**Net Asset Classification.** The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted net assets.** Net assets that are not subject to outside restrictions.

**Temporarily restricted net assets.** Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." The Association has not received any funds that would be classified as temporarily restricted net assets.

**Permanently restricted net assets.** Net assets whose funds must be held indefinitely. The Association has not received any funds that would be classified as permanently restricted net assets.

**Income Taxes.** The Association is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not related to their exempt purpose is subject to income tax at normal corporate rates.

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

**Functional Allocation of Expenses.** The cost of providing the various programs and other services have been summarized on a functional basis in the statements of activities.

**Advertising and Promotion**. The Association expenses advertising costs when incurred. The accompanying consolidated financial statements include advertising expense of $54,583 and $109,340 for the years ended December 31, 2015 and 2014, respectively.

**Shipping and Handling Costs**. Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

## NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Equipment | $ 68,890 | $ 60,293 |
| Furniture and fixtures | 57,440 | 57,440 |
| | 126,330 | 117,733 |
| Less accumulated depreciation | (109,758) | (104,985) |
| | $ 16,572 | $ 12,748 |

Depreciation expense for the years ended December 31, 2015 and 2014 was $4,774 and $22,282, respectively.

## NOTE C – ASSOCIATION SOFTWARE COSTS

The Association's software costs are amortized over five to seven years using the straight-line method. Amortization expense for the years ended December 31, 2015 and 2014 were $119,399 and $152,629, respectively.

Minimum amortization expense for the next five years following December 31, 2015 is as follows:

| Year ending December 31, | |
|---|---|
| 2016 | $ 91,438 |
| 2017 | 76,782 |
| 2018 | 53,110 |
| 2019 | 46,940 |
| 2020 | 46,940 |
| Thereafter | 780,490 |
| | $ 1,095,700 |

## NOTE D - FUNCTIONAL EXPENSES

The cost of providing program and supporting services for the years ended December 31, 2015 and 2014 has been summarized below on a functional basis.

| | 2015 | | |
|---|---|---|---|
| | Direct Expenses | Wages and employee expenses | Total |
| Programs | | | |
| DNA testing and registration services | $ 219,541 | $ 175,889 | $ 395,430 |
| National show | 110,092 | 100,494 | 210,586 |
| Show system | 89,304 | 85,862 | 175,166 |
| Products | 804 | - | 804 |
| Other member services | 172,148 | 95,324 | 267,472 |
| Other AOA | 23,128 | - | 23,128 |
| Publication service | 105,386 | 12,488 | 117,874 |
| Management and general | 510,497 | 181,837 | 692,334 |
| | $ 1,230,900 | $ 651,894 | $ 1,882,794 |

| | 2014 (as restated) | | |
|---|---|---|---|
| | Direct Expenses | Wages and employee expenses | Total |
| Programs | | | |
| DNA testing and registration services | $ 234,874 | $ 206,551 | $ 441,425 |
| National show | 166,170 | 110,821 | 276,991 |
| Show system | 118,032 | 86,854 | 204,886 |
| Products | 5,715 | - | 5,715 |
| Other member services | 187,619 | 54,937 | 242,556 |
| Other AOA | 83,081 | - | 83,081 |
| Publication service | 132,576 | 63,934 | 196,510 |
| Management and general | 823,006 | 180,578 | 1,003,584 |
| | $ 1,751,073 | $ 703,675 | $ 2,454,748 |

## NOTE E - LEASES

On January 16, 2013, the Association entered into a 60-month lease effective April 25, 2013 with payments to begin on May 1, 2013 for its operating premises. The lease requires monthly payments of $2,160. Monthly rent will be adjusted by the Consumer Price Index at the end of year three.

On March 11, 2013, the Association entered into a 48-month lease effective May 1, 2013 with payments due quarterly for its postage meter. The lease requires quarterly payments of $1,197 plus applicable taxes.

**NOTE E – LEASES - CONTINUED**

On November 17, 2015, the Association entered into an 18-month operating lease for office space. Under the terms of the lease, monthly rent payments were $1,448. The Association is also obligated for payment of the Association's proportionate share of common area and facilities maintenance and real estate taxes.

Minimum lease payments for years following December 31, 2015 are as follows:

| Year ending December 31, | |
|---|---|
| 2016 | $ 48,089 |
| 2017 | 34,761 |
| 2018 | 8,642 |
| | $ 91,492 |

Rent expense for the years ended December 31, 2015 and 2014 was $44,587 and $59,854, respectively.

**NOTE F - RETIREMENT PLAN**

Effective May 1, 2006, the Association provided a 401(k) deferred compensation plan for the benefit of eligible employees. The plan allows eligible employees to defer a portion of their annual compensation, not to exceed Internal Revenue Code limits. The Association matches 100% of employee contributions to the 401(k) plan up to a maximum of 5% of the employee's salary. Contributions expense to the 401(k) plan for the years ended December 31, 2015 and 2014 were $18,860 and $20,125, respectively.

**NOTE G - INCOME TAXES**

The Association is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended December 31, 2015 and 2014, the Association had no tax liability on unrelated business activity. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

At December 31, 2015, ALCI has a net operating loss carry forward of $692,005 to offset future taxable income. This net operating loss will begin to expire for Federal income tax purposes in 2027.

A deferred tax asset for the years ended December 31, 2015 and 2014 has been provided for a timing difference for a Federal net operating loss carryforward of $145,321 and $145,876, net of a valuation allowance of $145,321 and $145,876 for the years ended December 31, 2015 and 2014, respectively.

## NOTE H - RECLASSIFICATIONS

Certain amounts in the year ended December 31, 2014 consolidated financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2014 increase in net assets.

## NOTE I - BUSINESS COMBINATION

On January 14, 2014, the Registry announced that pursuant to the terms of a merger agreement entered into on October 28, 2013 (the "Merger Agreement"), Alpaca Owners and Breeders, Inc.("AOBA") merged with and into Alpaca Registry, Inc, with Alpaca Registry, Inc. continuing as the surviving corporation and who also changed their name to Alpaca Owners Association, Inc. The merger created a single organization which represents all facets of the North American alpaca industry.

The following table summarizes the identifiable assets acquired and liabilities assumed in the acquisition as of the acquisition date.

| | Amount |
|---|---|
| AOBA | |
| Inventory | $ 32,323 |
| Property, plant and equipment | 37,478 |
| Other current assets and current liabilities | 501,197 |
| | 570,998 |
| ALCI | |
| Property, plant and equipment | 3,840 |
| Other current assets and current liabilities | 109,864 |
| | 113,704 |
| Total contribution received in acquisition | $ 684,702 |

## NOTE J - PRIOR PERIOD ADJUSTMENT

The 2014 consolidated financial statements were restated to adjust prepaid expenses. The following adjustments were made.

The December 31, 2014 net assets has been decreased by $16,495.

Assets have been decreased as of December 31, 2014 as follows:

| | |
|---|---|
| Prepaid expenses | $ 16,495 |

**NOTE J - PRIOR PERIOD ADJUSTMENT - CONTINUED**

The December 31, 2014 net income decreased as follows:

| | |
|---|---|
| Management and general expenses | |
| Rent | $ 2,618 |
| Insurance | 2,425 |
| Office expenses | 11,452 |
| | $ 16,495 |

**NOTE K - SUBSEQUENT EVENTS**

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

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SUPPLEMENTAL INFORMATION

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Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

| | Alpaca Owners Association, Inc. | Alpaca Livestock Company, Inc. | Consolidated |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ 253,441 | $ 4,680 | $ 258,121 |
| Certificates of deposit | 949,140 | - | 949,140 |
| Accounts receivable | 28,762 | - | 28,762 |
| Prepaid expenses | 7,000 | - | 7,000 |
| Total current assets | 1,238,343 | 4,680 | 1,243,023 |
| PROPERTY AND EQUIPMENT | 16,572 | - | 16,572 |
| OTHER ASSETS | | | |
| Association software costs, less accumulated amortization of $1,095,700 | 361,648 | - | 361,648 |
| Deposits | 3,490 | - | 3,490 |
| Total other assets | 365,138 | - | 365,138 |
| Total assets | $ 1,620,053 | $ 4,680 | $ 1,624,733 |

LIABILITIES AND NET ASSETS

| | | | |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Accounts payable | $ 46,762 | $ - | $ 46,762 |
| Accrued payroll | 6,593 | - | 6,593 |
| Accrued vacation | 32,345 | - | 32,345 |
| Deferred revenue | 122,977 | - | 122,977 |
| Total current liabilities | 208,677 | - | 208,677 |
| NET ASSETS, UNRESTRICTED | 1,411,376 | 4,680 | 1,416,056 |
| Total liabilities and net assets | $ 1,620,053 | $ 4,680 | $ 1,624,733 |

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Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2014
(as restated)

ASSETS

| | Alpaca Owners Association, Inc. | Alpaca Livestock Company, Inc. | Consolidated |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ 322,908 | $ 127,886 | $ 450,794 |
| Certificates of deposit | 848,757 | - | 848,757 |
| Accounts receivable | 2,685 | - | 2,685 |
| Prepaid expenses | 13,488 | - | 13,488 |
| Total current assets | 1,187,838 | 127,886 | 1,315,724 |
| PROPERTY AND EQUIPMENT | 12,748 | - | 12,748 |
| OTHER ASSETS | | | |
| Association software costs, less accumulated amortization of $976,301 | 399,844 | - | 399,844 |
| Deposits | 3,490 | - | 3,490 |
| Total other assets | 403,334 | - | 403,334 |
| Total assets | $ 1,603,920 | $ 127,886 | $ 1,731,806 |

LIABILITIES AND NET ASSETS

| | | | |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Accounts payable | $ 42,669 | $ - | $ 42,669 |
| Accrued payroll | 3,800 | - | 3,800 |
| Accrued vacation | 32,345 | - | 32,345 |
| Deferred revenue | 119,647 | - | 119,647 |
| Total current liabilities | 198,461 | - | 198,461 |
| NET ASSETS, UNRESTRICTED | 1,405,459 | 127,886 | 1,533,345 |
| Total liabilities and net assets | $ 1,603,920 | $ 127,886 | $ 1,731,806 |

Becker Meyer Love LLP
Certified Public Accountants & Consultants

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2015

| | Alpaca Owners Association, Inc. | Alpaca Livestock Company, Inc. | Consolidated |
|---|---|---|---|
| CHANGES IN UNRESTRICTED NET ASSETS | | | |
| Revenue and support | | | |
| Registry income | $ 775,978 | $ - | $ 775,978 |
| National show | 248,547 | - | 248,547 |
| Show system | 179,069 | - | 179,069 |
| Member marketing | 39,202 | - | 39,202 |
| Membership and voting rights | 204,515 | - | 204,515 |
| Product income | 66,988 | - | 66,988 |
| Other member services | 92,761 | - | 92,761 |
| Other business income | 601 | - | 601 |
| Advertising income | 146,785 | 2,962 | 149,747 |
| Interest | 8,097 | - | 8,097 |
| Total revenue and support | 1,762,543 | 2,962 | 1,765,505 |
| Expenses | | | |
| Program services | | | |
| DNA testing and registration services | 395,430 | - | 395,430 |
| National show | 210,586 | - | 210,586 |
| Show system | 175,166 | - | 175,166 |
| Products | 804 | - | 804 |
| Other member services | 267,472 | - | 267,472 |
| Other AOA | 23,128 | - | 23,128 |
| Publication service | 117,874 | - | 117,874 |
| Total program services | 1,190,460 | - | 1,190,460 |
| Management and general | | | |
| Management and general before depreciation and amortization | | | |
| Wages and benefits | 181,837 | - | 181,837 |
| Professional fees | 130,378 | - | 130,378 |
| Board of directors | 27,173 | - | 27,173 |
| Conference | 5,429 | - | 5,429 |
| Rent | 44,587 | - | 44,587 |
| Building maintenance | 15,796 | - | 15,796 |
| Utilities | 30,372 | - | 30,372 |
| Insurance | 13,881 | - | 13,881 |
| Office expenses | 76,072 | - | 76,072 |
| Bank charges | 39,672 | - | 39,672 |
| Other | 2,645 | 320 | 2,965 |
| Total management and general before depreciation and amortization | 567,842 | 320 | 568,162 |
| Depreciation and amortization | 124,172 | - | 124,172 |
| Total management and general | 692,014 | 320 | 692,334 |
| Total expenses | 1,882,474 | 320 | 1,882,794 |
| INCREASE (DECREASE) IN NET ASSETS | (119,931) | 2,642 | (117,289) |
| Net assets at beginning of year before distribution | 1,405,459 | 127,886 | 1,533,345 |
| Distribution | 125,848 | (125,848) | - |
| Net assets at end of year | $ 1,411,376 | $ 4,680 | $ 1,416,056 |

HBE Becker Meyer Love LLP Certified Public Accountants & Consultants

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2014
(as restated)

| | Alpaca Owners Association, Inc. | Alpaca Livestock Company, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|
| CHANGES IN UNRESTRICTED NET ASSETS | | | | |
| Revenue and support | | | | |
| Registry income | $ 832,153 | $ - | $ - | $ 832,153 |
| National show | 332,193 | - | - | 332,193 |
| Show system | 186,462 | - | - | 186,462 |
| Member marketing | 11,656 | 53,948 | - | 65,604 |
| Membership and voting rights | 242,470 | - | - | 242,470 |
| Product income | 59,341 | - | - | 59,341 |
| Other member services | 73,378 | - | - | 73,378 |
| Other business income | 7,777 | - | - | 7,777 |
| Advertising income | - | 157,972 | - | 157,972 |
| Management fee income | 60,765 | - | (60,765) | - |
| Interest | 3,977 | - | - | 3,977 |
| Total revenue and support | 1,810,172 | 211,920 | (60,765) | 1,961,327 |
| Expenses | | | | |
| Program services | | | | |
| DNA testing and registration services | 441,425 | - | - | 441,425 |
| National show | 276,991 | - | - | 276,991 |
| Show system | 204,886 | - | - | 204,886 |
| Products | 5,715 | - | - | 5,715 |
| Other member services | 242,556 | - | - | 242,556 |
| Other AOA | 83,081 | - | - | 83,081 |
| Publication service | 63,934 | 132,576 | - | 196,510 |
| Total program services | 1,318,588 | 132,576 | - | 1,451,164 |
| Management and general | | | | |
| Management and general before depreciation and amortization | | | | |
| Wages and benefits | 180,578 | - | - | 180,578 |
| Professional fees | 199,115 | - | - | 199,115 |
| Board of directors | 38,177 | - | - | 38,177 |
| Conference | 17,923 | - | - | 17,923 |
| Rent | 62,472 | - | - | 62,472 |
| Building maintenance | 26,201 | - | - | 26,201 |
| Utilities | 34,641 | - | - | 34,641 |
| Insurance | 25,082 | - | - | 25,082 |
| Office expenses | 123,644 | - | - | 123,644 |
| Bank charges | 45,662 | - | - | 45,662 |
| Loss on sale of assets | 62,788 | - | - | 62,788 |
| Bad debt expense | 714 | - | - | 714 |
| Management fee expense | - | 60,765 | (60,765) | - |
| Other | 7,280 | 4,396 | - | 11,676 |
| Total management and general before depreciation and amortization | 824,277 | 65,161 | (60,765) | 828,673 |
| Depreciation and amortization | 174,911 | - | - | 174,911 |
| Total management and general | 999,188 | 65,161 | (60,765) | 1,003,584 |
| Total expenses | 2,317,776 | 197,737 | (60,765) | 2,454,748 |
| Change in net assets before change related to acquisition | (507,604) | 14,183 | - | (493,421) |
| Contribution received in acquisition | 570,999 | - | 113,703 | 684,702 |
| INCREASE IN NET ASSETS | 63,395 | 14,183 | 113,703 | 191,281 |
| Net assets at beginning of year | 1,342,064 | 113,703 | (113,703) | 1,342,064 |
| Net assets at end of year | $ 1,405,459 | $ 127,886 | $ - | $ 1,533,345 |

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