Alpaca Owners Association
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the years ended December 31, 2025 and 2024

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	2 – 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6 – 7
Consolidated Statements of Cash Flows	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 – 21
SUPPLEMENTAL INFORMATION	
Consolidating Statements of Financial Position	23 – 24
Consolidating Statements of Activities	25 – 26

HAYES & ASSOCIATES, L.L.C.
CPAs | Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alpaca Owners Association, Inc, and Subsidiary as of December 31, 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter – Report on 2024 Consolidated Financial Statements

The consolidated financial statements of Alpaca Owners Association, Inc., and Subsidiary as of December 31, 2024, were audited by other auditors whose report dated April 7, 2025, expressed an unmodified opinion on those consolidated financial statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net assets, and cash flows of the individual companies 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 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.

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 25, 2026

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2025	2024
CURRENT ASSETS		
Cash and cash equivalents (note A)	$ 193,948	$ 76,830
Certificates of deposit (note A)	435,384	502,433
Accounts receivable (note A)	2,020	10,747
Investments (note A, E and F)	711,173	625,209
Inventory	19,757	-
Prepaid expenses	24,076	33,030
Total current assets	1,386,358	1,248,249
NONCURRENT ASSETS		
PROPERTY AND EQUIPMENT, net (notes A and B)	626	1,011
OTHER ASSETS		
Association software costs, net	-	59,115
Operating lease right-of-use assets, net (note A and G)	40,465	18,746
Certificates of deposit, long-term (note A)	-	136,073
Total other assets	40,465	213,934
Total noncurrent assets	41,091	214,945
Total assets	$ 1,427,449	$ 1,463,194
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 26,864	$ 59,297
Accrued payroll	4,446	2,686
Accrued vacation (note A)	28,949	37,360
Contract liability (notes A and L)	99,475	82,483
Operating lease obligations, current (notes A and G)	25,397	13,982
Total current liabilities	185,131	195,808
NONCURRENT LIABILITIES		
Operating lease obligations net of current maturities (notes A and G)	14,622	5,228
Total liabilities	199,753	201,036
NET ASSETS (note A)		
Without donor restriction		
Undesignated	1,227,696	1,262,158
Total net assets	1,227,696	1,262,158
Total liabilities and net assets	$ 1,427,449	$ 1,463,194

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2025	2024
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Registry income	$ 360,886	$ 396,564
National show	229,231	363,930
Show system	123,630	98,476
Member marketing	8,358	10,851
Membership and voting right	168,740	194,515
Product income	33,354	43,384
Other member services	59,358	83,698
Other business income	4,330	12,481
Advertising income	30,200	68,590
Net investment income (note E)	118,012	89,331
Gain/(Loss) on disposal of assets	(56,485)	-
Total revenue and support	1,079,614	1,361,820
Expenses		
Program services		
DNA testing and registration services	159,959	177,914
National show	262,463	206,290
Show system	130,102	266,398
Other AOA	211,699	383,222
Total program services	764,223	1,033,824
Management and general		
Management and general before depreciation and amortization	333,461	305,824
Depreciation and amortization	163	1,579
Total management and general	333,624	307,403
Total expenses	1,097,847	1,341,227
Increase (decrease) in net assets	(18,233)	20,593
NET ASSETS AT BEGINNING OF YEAR	1,262,158	1,241,565
PRIOR PERIOD ADJUSTMENT	(16,229)	-
NET ASSETS, BEGINNING, RESTATED	1,245,929	1,241,565
NET ASSETS, END OF YEAR	$ 1,227,696	$ 1,262,158

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2025

	Program services						
	DNA Testing & Registration Services	National Show	Show System	Other AOA	Total Program Services	Management and General	Total
Wage and benefits	$ 36,218	$ 84,643	$ 83,251	$ 80,110	$ 284,222	$ 164,573	$ 448,795
DNA testing	118,065	-	-	-	118,065	-	118,065
Other member services	-	-	-	111,244	111,244	-	111,244
Member products	-	-	-	-	-	-	-
Conferences and fees	-	160,417	-	1,589	162,006	-	162,006
Travel	-	4,143	-	-	4,143	-	4,143
Judges clinic and student design	-	-	33,808	-	33,808	-	33,808
Publication services	-	-	-	6,206	6,206	-	6,206
Professional fees	-	-	-	-	-	85,414	85,414
Board of directors	-	-	-	-	-	7,115	7,115
Rent	2,385	5,572	5,480	5,273	18,710	10,830	29,540
Building maintenance	476	1,112	1,094	1,052	3,734	2,140	5,874
Utilities	608	1,421	1,398	1,345	4,772	3,206	7,978
Insurance	-	-	-	-	-	17,540	17,540
Office expenses	2,170	5,070	4,987	4,799	17,026	9,876	26,902
Bank Charges	-	-	-	-	-	22,655	22,655
Depreciation and amortization	37	85	84	81	287	163	450
Other	-	-	-	-	-	10,112	10,112
Total expenses	$ 159,959	$ 262,463	$ 130,102	$ 211,699	$ 764,223	$ 333,624	$ 1,097,847

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2024

	Program services						
	DNA Testing & Registration Services	National Show	Show System	Other AOA	Total Program Services	Management and General	Total
Wage and benefits	$ 42,740	$ 75,101	$ 103,545	$ 101,156	$ 322,542	$ 150,772	$ 473,314
DNA testing	122,623	-	-	-	122,623	-	122,623
Other member services	-	-	-	116,980	116,980	-	116,980
Member products	-	-	-	18,403	18,403	-	18,403
Conferences and fees	-	60,681	150,043	-	210,724	2,270	212,994
Board and lodging	-	28,121	-	-	28,121	-	28,121
Travel	-	20,872	-	-	20,872	-	20,872
Judges clinic and student design	-	-	-	29,565	29,565	-	29,565
Publication services	-	-	-	86,774	86,774	-	86,774
Professional fees	-	-	-	-	-	76,680	76,680
Board of directors	-	-	-	-	-	10,235	10,235
Rent	3,279	5,621	3,347	7,927	20,174	3,246	23,420
Building maintenance	2,238	3,836	2,284	5,410	13,768	2,215	15,983
Utilities	1,895	3,248	1,934	4,581	11,658	1,875	13,533
Insurance	-	-	-	-	-	19,768	19,768
Office expenses	3,545	6,077	3,618	8,572	21,812	3,509	25,321
Bank charges	-	-	-	-	-	28,356	28,356
Depreciation and amortization	1,594	2,733	1,627	3,854	9,808	1,579	11,387
Other	-	-	-	-	-	6,897	6,897
Total expenses	$ 177,914	$ 206,290	$ 266,398	$ 383,222	$ 1,033,824	$ 307,402	$ 1,341,226

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 967,456	$ 1,213,806
Cash paid to suppliers and employees	(1,127,629)	(1,320,955)
Miscellaneous services income	59,358	83,698
Interest income	27,597	63,470
Net cash provided (used) by operating activities	(73,218)	40,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit and investments	(91,557)	(808,019)
Proceeds from maturity or sale of certificates of deposit and investments	281,893	760,913
Net cash used by investing activities	190,336	(47,106)
Net increase (decrease) in cash and cash equivalents	117,118	(7,087)
Cash and cash equivalents at beginning of year	76,830	83,917
Cash and cash equivalents at end of year	$ 193,948	$ 76,830
Reconciliation of increase in net assets to net cash provided (used) by operating activities		
Change in net assets	$ (18,233)	$ 20,593
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	386	416
Amortization	782	10,970
(Increase) decrease in the carrying amount of right-of-use assets	(21,719)	66,396
Loss on sale of assets	29,732	781
Reinvested interest and dividends	-	83,104
Realized and unrealized gain on investments	(73,178)	(108,965)
(Increase) decrease in assets		
Receivable	8,727	15,463
Inventory	(7,386)	-
Prepaid expenses	8,954	(21,136)
Increase (decrease) in liabilities		
Accounts payable	(32,433)	42,765
Accrued payroll	1,760	(11,908)
Accrued vacation	(8,411)	-
Operating lease liabilities	20,809	(68,012)
Contract liability	16,992	9,552
Total adjustments to increase in net assets	(54,985)	19,426
Net cash provided (used) by operating activities	$ (73,218)	$ 40,019
Supplemental disclosure of cash flow information:		
Right-of-use assets obtained in exchange for lease obligations post ASC 842 implementation	$ 41,709	$ -

See accompanying notes and independent auditor's report.

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 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 SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Accounting

   The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

2. 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.

3. Cash and Cash Equivalents

   For purposes of the consolidated statements of cash flows, the Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, the Association has not recognized an expected credit loss.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Certificates of Deposit

Certificates of deposit are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, the Association has not recognized an expected credit loss.

5. Accounts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances at year-end. Based on management's assessment of 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. Allowances for credit losses are based on management's review of historical losses based on aging receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Association's customers have remained consistent since the Association's inception. Based on management's review, the Association has not recognized aa expected credit loss.

On December 31, 2025, 2024, and 2023, the accounts receivable balance was $2,020, $10,747, and $26,210, respectively.

6. Inventory

Inventory is valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Inventory was $19,757 and $- at December 31, 2025 and 2024, respectively.

7. Property, Equipment, and Depreciation

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

8. Association Software Costs

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Investments

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

10. Fair Value Measurements

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance are not required to be categorized in the fair value hierarchy.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. 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 year 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.

12. Contract Balances

Contract liabilities include consideration due or paid by a customer prior to when the Association transfers goods or services and represents the Association's obligation to the customer.

13. Leases

At inception, the Association determines if a contract is or includes a lease arrangement. The Association's lease commitments include office space and office equipment. The following describes the Association's accounting policies related to its leasing arrangements:

As Lessee: Leased assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Association recognizes a right-of-use asset and related liability at the commencement date, generally based on the present value of lease payments over the lease term using the Association's risk-free rate. Leases with an initial term of 12 months or less, including month to month leases, are not recorded on the statement of financial position and are expensed on a straight-line basis. Leases between entities under common control use written terms and conditions instead of determining whether terms and conditions are legally enforceable.

Operating Leases: Operating lease assets and liabilities are recognized separately on the Association's statement of financial position. The Association recognizes a single lease expense on a straight-line basis over the lease term. Non-lease components including expenses for trash, common area maintenance, insurance and real estate taxes are expenses as incurred. The Association classifies all of its office space and office equipment leases as operating.

14. Net Asset Classification

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

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Net Asset Classification – Continued

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

15. Revenue Recognition

Revenue is measured based on consideration specified in contracts with customers. The Association recognizes revenue when it satisfies performance obligations by transferring control over products or services to customers. The following is a description of principal activities from which the Association generates its revenue:

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

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

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

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Revenue Recognition – Continued

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

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

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

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

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

16. Income Taxes

The Association is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not related to their exempt purpose is subject to income tax at normal corporate rates. The Association has advertising income, which is subject to tax on unrelated business income. For the years ended December 31, 2025, and 2024, 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.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Income Taxes – Continued

The Association's Federal Exempt Organization Business Income Tax Returns (990) and ALCI's U.S. Federal and State of Tennessee income tax returns for December 31, 2025, 2024 and 2023 are subject to examination by the IRS generally for three years after they were filed.

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 be reversed. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

17. Functional Allocation of Expenses

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

18. Advertising and Promotion

The Association expenses advertising costs when incurred. The accompanying consolidated financial statements include advertising expense of $24,517 and $24,568 for the years ended December 31, 2025, and 2024, respectively.

19. 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. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Museum to concentrations of credit risk consist principally of checking, money market, and certificate of deposit accounts at financial institutions. Accounts at each institution are insured by the FDIC for up to $250,000. The bank accounts, at December 31, 2025 and 2024, were fully insured. The Organization has not experienced any losses on such accounts.

NOTE C. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on December 31, 2025 and 2024:

	2025	2024
Equipment	$ 24,676	$ 79,718
Furniture and fixtures	11,141	57,440
	35,817	137,158
Less accumulated depreciation	(35,191)	(136,147)
	$ 626	$ 1,011

Depreciation expense for years ended December 31, 2025, and 2024, was $386 and $416, respectively.

NOTE D. ASSOCIATION SOFTWARE COSTS

Software as of December 31, 2025, and 2024 consisted of the following:

	2025	2024
Technology development	$ -	$ 28,600
Registry database	120,625	1,572,175
	120,625	1,600,775
Less accumulated amortization	(120,625)	(1,541,660)
	$ -	$ 59,115

The Association's software costs are amortized over five to ten years using the straight-line method. Amortization expense for the years ended December 31, 2025, and 2024, was $- and $10,970, respectively.

NOTE E. INVESTMENTS

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutal funds	$ 669,013	$ 711,173	$ 625,020	$ 625,209
Gross unrealized gain / (loss)		$ 42,160		$ 189

NOTE E. INVESTMENTS – CONTINUED

Investment income consists of:	2025	2024
Interest and dividends income	$ 47,093	$ 34,229
Investment fees	(4,301)	(3,909)
Realized gains / (loss) on investments	1,022	(2,371)
Unrealized gains / (loss) on investments	74,198	61,382
Net investment income	$ 118,012	$ 89,331

NOTE F. FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There has been no change in the method used during the year ended December 31, 2025.

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

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

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2025, and 2024.

	2025			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 711,173	$ 711,173	$ -	$ -

	2024			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 625,209	$ 625,209	$ -	$ -

NOTE G. LEASES

As Lessee – Operating Lease

On January 16, 2013, the Association entered into a 60-month lease effective April 25, 2013, with payments to begin on May 1, 2013, for its operating premises. On May 1, 2023, the lease was renewed for an additional 24-month period. The renewed lease requires monthly payments of $2,502.

On February 21, 2022, the Association entered into a 36-month lease for a postage meter. The lease requires quarterly payments of $590 plus applicable taxes.

On January 20, 2022, the Association entered into a 63-month lease for a copier. The lease requires monthly payments of $312 plus applicable taxes.

On August 1, 2025, the Association entered into a 24-month lease for coworking space. The lease requires monthly payments of $1,885 plus applicable taxes.

Operating lease expense for the years ended December 31, 2025, and 2024 are as follows:

	2025	2024
Operating lease expense	$ 23,162	$ 34,522

Average operating lease terms and discount rate at December 31, 2025, and 2024 were as follows:

	2025	2024
Weighted average remaining lease term (years):	1.64	1.28
Weighted average discount rate:	3.71%	1.80%

The following summarizes cash paid for operating lease liabilities and other non-cash information for the years ended December 31, 2025, and 2024:

	2025	2024
Cash paid for amounts included in the measurement of operating lease obligations - operating cash flows	$ 23,162	$ 36,138
Right-of-use assets obtained in exchange for operating lease obligations	$ 41,709	$ -

NOTE G. LEASES – CONTINUED

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of December 31, 2025, and 2024, and a reconciliation to operating lease liabilities reported on the consolidated statement financial position:

Year end Dececmber 31,	
2026	$ 26,364
2027	14,755
Total minimum lease payments	41,119
Less: Present value discount	(1,100)
Operating lease obligations	$ 40,019

NOTE H. RETIREMENT PLANS

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, 2025, and 2024 were $18,250 and $18,077, respectively.

NOTE I. INCOME TAXES

At December 31, 2025, ALCI has a net operating loss carry forward of $692,262 to offset future taxable income. This net operating loss will begin to expire for Federal income tax purposes in 2027 and for Tennessee income tax purposes in 2024.

A deferred tax asset for the years ended December 31, 2025, and 2024 has been provided for a timing difference for a Federal net operating loss carryforward of $190,372, net of a valuation allowance of $190,372 for the years ended December 31, 2025, and 2024.

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

NOTE J. LIQUIDITY AND AVAILABILITY

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

	2025	2024
Cash and cash equivalents	$ 193,948	$ 76,830
Certificates of deposit	435,384	502,433
Accounts receivable	2,020	10,747
Investments	711,173	625,209
Total financial assets available to meet general expenditures over the next year	$ 1,342,525	$ 1,215,219

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

NOTE K. DISAGGREGATION OF REVENUE

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

	2025	2024
Transferred over time	$ 177,098	$ 205,366
Transferred at a point in time	836,659	1,054,642
	$ 1,013,757	$ 1,260,008

NOTE L. CONTRACT BALANCES

The following tables provide information about the changes in the contract liabilities for the years ended December 31, 2025, and 2024.

	2025	2024
Contract liabilities, beginning of year	$ 82,483	$ 85,308
Recognition of revenue included in beginning balance	(82,483)	(79,760)
Collection of customer prepayments	109,475	76,935
Contract liabilities, end of year	$ 109,475	$ 82,483

NOTE M. RELATED ORGANIZATIONS

The Association is associated with a separate not-for-profit corporation, National Alpaca Foundation (the Foundation). The Foundation was incorporated in 2023. The Foundation received $0 and $0 from the Association for the years ended December 31, 2025. and 2024, respectively.

NOTE N. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2025, the Association determined that software costs that had previously been capitalized should have been expensed. As a result, beginning net assets were restated to show a decrease of $28,600 related to software additions made in prior periods. This adjustment was offset with a decrease in association software costs on the consolidated financial statements.

During the year ended December 31, 2025, the Association determined that inventory balances had reached a material amount and should be recognized in the consolidated financial statements. As a result, beginning net assets were restated to show an increase of $12,371 related to inventory purchases made in prior periods. This was offset with an increase in inventory on the consolidated financial statements. These adjustments resulted in a net decrease of $16,229 in net assets.

NOTE O. SUBSEQUENT EVENTS

Subsequent events have been assessed through March 25, 2026, which is the date the consolidated financial statements were issued. The Organizations did not have any subsequent events affecting the amounts reported in the consolidated financial statements for the year ended December 31, 2025, or which are required to be disclosed in the notes to the consolidated financial statements for the year then ended.

SUPPLEMENTARY INFORMATION

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2025

ASSETS	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CURRENT ASSETS			
Cash and cash equivalents (note A)	$ 189,525	$ 4,423	$ 193,948
Certificates of deposit (note A)	435,384	-	435,384
Accounts receivable (note A)	2,020	-	2,020
Investments (note A, E and F)	711,173	-	711,173
Inventory	19,757	-	19,757
Prepaid expenses	24,076	-	24,076
Total current assets	1,381,935	4,423	1,386,358
NONCURRENT ASSETS			
PROPERTY AND EQUIPMENT, net (notes A and B)	626	-	626
OTHER ASSETS			
Association software costs, net	-	-	-
Operating lease right-of-use assets, net (note A and G)	40,465	-	40,465
Certificates of deposit, long-term (note A)	-	-	-
Total other assets	40,465	-	40,465
Total noncurrent assets	41,091	-	41,091
Total assets	$ 1,423,026	$ 4,423	$ 1,427,449
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 26,864	$ -	$ 26,864
Accrued payroll	4,446	-	4,446
Accrued vacation (note A)	28,949	-	28,949
Contract liability (notes A and L)	99,475	-	99,475
Operating lease obligations, current (notes A and G)	25,397	-	25,397
Total current liabilities	185,131	-	185,131
NONCURRENT LIABILITIES			
Operating lease obligations net of current maturities (notes A and G)	14,622	-	14,622
Total liabilities	199,753	-	199,753
NET ASSETS (note A)			
Without donor restriction			
Undesignated	1,223,273	4,423	1,227,696
Total net assets	1,223,273	4,423	1,227,696
Total liabilities and net assets	$ 1,423,026	$ 4,423	$ 1,427,449

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Consolidated
CURRENT ASSETS			
Cash and cash equivalents (note A)	$ 72,407	$ 4,423	$ 76,830
Certificates of deposit (note A)	502,433	-	502,433
Accounts receivable (note A)	10,747	-	10,747
Investments (note A, E and F)	625,209	-	625,209
Prepaid expenses	33,030	-	33,030
Total current assets	1,243,826	4,423	1,248,249
NONCURRENT ASSETS			
PROPERTY AND EQUIPMENT, net (notes A and B)	1,011	-	1,011
OTHER ASSETS			
Association software costs, net	59,115	-	59,115
Operating lease right-of-use assets, net (note A and G)	18,746	-	18,746
Certificates of deposit, long-term (note A)	136,073	-	136,073
Total other assets	213,934	-	213,934
Total noncurrent assets	214,945	-	214,945
Total assets	$ 1,458,771	$ 4,423	$ 1,463,194
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 59,297	$ -	$ 59,297
Accrued payroll	2,686	-	2,686
Accrued vacation (note A)	37,360	-	37,360
Contract liability (notes A and L)	82,483	-	82,483
Operating lease obligations, current (notes A and G)	13,982	-	13,982
Total current liabilities	195,808	-	195,808
NONCURRENT LIABILITIES			
Operating lease obligations net of current maturities (notes A and G)	5,228	-	5,228
Total liabilities	201,036	-	201,036
NET ASSETS			
Without donor restriction			
Undesignated	1,257,735	4,423	1,262,158
Total net assets	1,257,735	4,423	1,262,158
Total liabilities and net assets	$ 1,458,771	$ 4,423	$ 1,463,194

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATING STATEMENTS OF ACTIVITIES
For the year ended December 31, 2025

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue and support			
Registry income	$ 360,886	$ -	$ 360,886
National show	229,231	-	229,231
Show system	123,630	-	123,630
Member marketing	8,358	-	8,358
Membership and voting right	168,740	-	168,740
Product income	33,354	-	33,354
Other member services	59,358	-	59,358
Other business income	4,330	-	4,330
Advertising income	30,200	-	30,200
Net investment income (note E)	118,012	-	118,012
Gain/(Loss) on disposal of assets	(56,485)	-	(56,485)
Total revenue and support	1,079,614	-	1,079,614
Expenses			
Program services			
DNA testing and registration services	159,959	-	159,959
National show	262,463	-	262,463
Show system	130,102	-	130,102
Other AOA	211,699	-	211,699
Total program services	764,223	-	764,223
Management and general			
Management and general before depreciation and amortization			
Wages and benefits	164,573	-	164,573
Professional fees	85,414	-	85,414
Board of directors	7,115	-	7,115
Rent	10,830	-	10,830
Building maintenance	2,140	-	2,140
Utilities	3,206	-	3,206
Insurance	17,540	-	17,540
Office expenses	9,876	-	9,876
Bank charges	22,655	-	22,655
Other	10,112	-	10,112
Total management and general before depreciation and amortization	333,461	-	333,461
Depreciation and amortization	163	-	163
Total management and general	333,624	-	333,624
Total expenses	1,097,847	-	1,097,847
Increase (decrease) in net assets	(18,233)	-	(18,233)
NET ASSETS AT BEGINNING OF YEAR	1,257,735	4,423	1,262,158
PRIOR PERIOD ADJUSTMENT	(16,229)	-	(16,229)
NET ASSETS, BEGINNING, RESTATED	1,241,506	4,423	1,245,929
NET ASSETS, END OF YEAR	$ 1,223,273	$ 4,423	$ 1,227,696

See accompanying notes and independent auditor's report.

Alpaca Owners Association, Inc. and Subsidiary
CONSOLIDATING STATEMENTS OF ACTIVITIES
For the year ended December 31, 2024

	Alpaca Owners Association, Inc.	Alpaca Livestock Company, Inc.	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue and support			
Registry income	$ 396,564	$ -	$ 396,564
National show	363,930	-	363,930
Show system	98,476	-	98,476
Member marketing	10,851	-	10,851
Membership and voting right	194,515	-	194,515
Product income	43,384	-	43,384
Other member services	83,698	-	83,698
Other business income	12,481	-	12,481
Advertising income	68,590	-	68,590
Net investment income (note E)	89,331	-	89,331
Total revenue and support	1,361,820	-	1,361,820
Expenses			
Program services			
DNA testing and registration services	177,914	-	177,914
National show	206,290	-	206,290
Show system	266,398	-	266,398
Other AOA	383,222	-	383,222
Total program services	1,033,824	-	1,033,824
Management and general			
Management and general before depreciation and amortization			
Wages and benefits	150,772	-	150,772
Conferences and fees	2,270	-	2,270
Professional fees	76,680	-	76,680
Board of directors	10,235	-	10,235
Rent	3,246	-	3,246
Building maintenance	2,215	-	2,215
Utilities	1,875	-	1,875
Insurance	19,768	-	19,768
Office expenses	3,509	-	3,509
Bank charges	28,356	-	28,356
Other	6,898	-	6,898
Total management and general before depreciation and amortization	305,824	-	305,824
Depreciation and amortization	1,579	-	1,579
Total management and general	307,403	-	307,403
Total expenses	1,341,227	-	1,341,227
Increase (decrease) in net assets	20,593	-	20,593
NET ASSETS AT BEGINNING OF YEAR	1,237,142	4,423	1,241,565
NET ASSETS, END OF YEAR	$ 1,257,735	$ 4,423	$ 1,262,158

See accompanying notes and independent auditor's report.