

AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION

FINANCIAL STATEMENTS

Year Ended November 30, 2019



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
TABLE OF CONTENTS
November 30, 2019

Independent Accountants' Review Report	Page 1
<u>Financial Statements:</u>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7
<u>Supplemental Schedules</u>	
Program Revenues and Expenses	9
Program Expenses – Indirect and General and Administrative Expenses	10



BEAN, RHOTON & KELLEY, PLLC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
American Historic Racing Motorcycle Association
Elora, TN 37328

We have reviewed the accompanying financial statements of American Historic Racing Motorcycle Association (a nonprofit organization), which comprise the statement of financial position as of November 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in Program Revenues and Expenses and Program Expenses-Indirect and General and Administrative Expense is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Bean, Rhoton, & Kelley, PLLC
Winchester, Tennessee
June 16, 2020

AMERICAN HISTORIC MOTORCYCLE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
November 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 54,011.42
Investments	209,530.52
Accounts receivable	13,865.00
Prepaid expenses	6,500.38
Deposits on future events	25,402.50
TOTAL CURRENT ASSETS	309,309.82

Property and equipment, net of depreciation	2,071.56
Total Non-Current Assets	2,071.56

TOTAL ASSETS	\$ 311,381.38
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LIABILITIES

Current liabilities

Accounts payable	\$ 14,710.96
Accrued liabilities	5,716.60
Deferred revenue	13,200.00
TOTAL CURRENT LIABILITIES	33,627.56

NET ASSETS

Net assets without donor restrictions	120,208.41
Net assets with donor restrictions	157,545.41
TOTAL NET ASSETS	277,753.82

TOTAL LIABILITIES AND NET ASSETS	\$ 311,381.38
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The accompanying notes are an integral part of this statement.

AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended November 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
REVENUES & SUPPORT			
Membership Dues	\$ 195,286.01	\$ 0.00	\$ 195,286.01
Program Income	1,054,245.14	19,189.00	1,073,434.14
Advertising Income	30,995.80	0.00	30,995.80
Donations	1,050.00	0.00	1,050.00
Investment Income	153.15	20,622.03	20,775.18
Miscellaneous Income	5,465.43	0.00	5,465.43
TOTAL REVENUES & SUPPORT	1,287,195.53	39,811.03	1,327,006.56
EXPENSES			
Program Expenses- Direct	835,965.72	3,000.00	838,965.72
Program Expenses- Indirect	182,185.76	0.00	182,185.76
General and Administrative	334,001.96	0.00	334,001.96
TOTAL EXPENSES	1,352,153.44	3,000.00	1,355,153.44
NET INCOME (LOSS) FROM OPERATIONS	(64,957.91)	36,811.03	(28,146.88)
NET ASSETS, BEGINNING OF YEAR	305,900.70	0.00	305,900.70
Prior Period Adjustment (Note 9)	(120,734.38)	120,734.38	0.00
NET BEGINNING ASSETS, RESTATED	185,166.32	120,734.38	305,900.70
NET ASSETS, END OF YEAR	\$ 120,208.41	\$ 157,545.41	\$ 277,753.82

The accompanying notes are an integral part of this statement.

AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (28,146.88)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,316.00
(Increase) decrease in:	
Receivables	(13,012.00)
Prepaid insurance	19,526.12
Inventory	685.50
Deposits on next year's events	(23,402.50)
Increase (decrease) in:	
Accounts payable	14,710.96
Accrued liabilities	(9,012.66)
Deferred revenue	13,200.00

NET CASH FROM OPERATING ACTIVITIES	<u>(23,135.46)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Sale of fixed assets	<u>4,896.22</u>
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NET CASH FROM FINANCING ACTIVITIES	4,896.22
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CASH FLOWS FROM INVESTING ACTIVITIES

Distributions from investment accounts for expenses and fees	<u>45,667.90</u>
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NET CASH FROM BY INVESTING ACTIVITIES	<u>45,667.90</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	27,428.66
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BEGINNING CASH AND CASH EQUIVALENTS	<u>26,582.76</u>
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ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 54,011.42</u></u>
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The accompanying notes are an integral part of this statement.

**AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
ELORA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
November 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

American Historic Racing Motorcycle Association (AHRMA) is organized as a nonprofit business association incorporated under the laws of the State of Ohio on January 5, 1989. The primary purpose of AHRMA shall be to review and promote the sport of vintage motorcycle racing by circulating printed material about the sport, by conducting exhibitions to introduce the sport to the public, by conducting vintage motorcycle racing events, and by giving instructional clinics for the public, all to the end of providing wholesome activity and entertainment for the social improvement and welfare of the community.

The financial statements are prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period in which they occur, regardless of the timing of related cash flow.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

An allowance for doubtful accounts was set up by the Organization for the year ended November 30, 2019. The amount is equivalent to 50% of the total accounts receivable which are over 90 days old. The amount of the allowance for doubtful accounts at November 30, 2019 is \$0.

Inventory

The inventory consists of items for resale and are priced at the lower of cost (determined on the first-in, first-out basis) or market. The amount of inventory at November 30, 2019 is \$0.00.

Property and Depreciation

Fixed assets are recorded at cost or fair market value if donated. Major expenditures for equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed when incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation is computed on a straight-line method over the estimated useful lives of the assets, which is three to seven years. Depreciation expense for the year ended November 30, 2019 was \$2,316.00.

Income Tax Status

AHRMA is a not-for-profit organization exempt from income taxes under Section 501 (c) (4) of the Internal Revenue Code, and therefore, no provision has been made for income taxes.

Estimates

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

**AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
ELORA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
November 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets without donor restrictions include general revenues and expenses associated with the principal mission of AHRMA.

Net assets with donor restrictions include gifts for which donor imposed restrictions have not been met (primarily future capital projects).

Net assets with donor restrictions also include gifts, trusts, and pledges, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions and gifts, which have been donor stipulated.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Organization maintained the following cash balances:

General checking account	\$ 24,315.84
Petty cash	1,200.00
Money market account	<u>28,495.58</u>
Total	<u>\$ 54,011.42</u>

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the AHRMA's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>
Financial assets at year end	\$309,309.82
Less those unavailable for general expenditures Within one year, due to:	
Accounts payable	14,710.96
Accrued liabilities	5,716.60
Deferred revenue	13,200.00
Donor-restricted – benevolent fund	155,513.41
Donor-restricted – safety fund	<u>2,032.00</u>
Financial assets available to meet cash needs for General expenditure within one year	<u>\$118,136.85</u>

**AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
ELORA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
November 30, 2019**

NOTE 4 – INVESTMENTS

Investments are composed of mutual funds investing in debt and equity securities which are carried at their fair value, as follows:

At November 30, 2019	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual Funds	\$192,985.13	\$209,530.52	\$16,545.39

NOTE 5 – PENSION PLAN

During 2019, AHRMA had a Simplified Employee Pension plan covering all of its employees. The total pension expense for the year ended November 30, 2019 was \$2,982.57.

NOTE 6 – LEASES

The Organization houses its operations at the premises of the Executive Director on a month to month basis. The total rent expense for the year ended November 30, 2019 was \$5,600.00.

NOTE 7 – NET ASSETS

Net assets without donor restrictions at November 30, 2019: \$120,208.41

Net assets with donor restrictions at November 30, 2019, consist of the Organization's funds listed below:

Benevolent fund	\$155,513.41
Safety fund	<u>2,032.00</u>
	<u>\$157,545.41</u>

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

AHRMA has considered all events subsequent to November 30, 2019 and through June 16, 2020, the issuance date of these financial statements. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of previously reported net assets without donor restrictions on the Statement of Activities were discovered during the current year. Accordingly, an adjustment of \$120,734.38 was made to decrease net assets without donor restrictions as of the beginning of the year. A corresponding entry was made to increase previously reported net assets with donor restrictions.

SUPPLEMENTAL SCHEDULES

AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
PROGRAM REVENUES AND EXPENSES
For the Year Ended November 30, 2019

	Revenue	Expense	Net
PROGRAMS			
Road Race	\$ 808,446.09	\$ 727,949.08	\$ 80,497.01
Motorcross	75,037.51	85,722.73	(10,685.22)
Dirt Track	4,777.50	3,977.10	800.40
Trials	6,220.00	2,615.72	3,604.28
Hare Scrambles	23,749.50	9,916.80	13,832.70
Merchandise	8,669.54	3,373.34	5,296.20
Banquet	4,725.00	2,410.95	2,314.05
Other	1,650.00	0.00	1,650.00
Benevolent Fund	17,157.00	3,000.00	14,157.00
Safety Fund	2,032.00	0.00	2,032.00
Sponsorships	120,970.00	0.00	120,970.00
TOTAL PROGRAMS	<u>\$ 1,073,434.14</u>	<u>\$ 838,965.72</u>	<u>\$ 234,468.42</u>

The accompanying notes are an integral part of this statement.

AMERICAN HISTORIC RACING MOTORCYCLE ASSOCIATION
PROGRAM EXPENSES- INDIRECT AND GENERAL AND ADMINISTRATIVE EXPENSES
For the Year Ended November 30, 2019

PROGRAM EXPENSES- INDIRECT

Championship/Worker jackets	\$	8,520.23
Commissions paid		3,777.75
Motorsport processing fees		31,587.82
On line processing fees		18,503.60
Memberships		4,617.89
Printing/Advertising		24,047.85
Participant insurance		24,289.13
Trophies		7,797.94
Bad debt		2,890.00
Vintage views		56,153.55

TOTAL PROGRAM EXPENSES- INDIRECT	\$	182,185.76
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GENERAL AND ADMINISTRATIVE EXPENSES

Accounting	\$	8,175.00
Bank charges		4,050.03
Board meetings		2,965.06
Computer expense		903.16
Consultants		84,916.17
Depreciation		2,316.00
Election expense		1,210.50
Insurance		50,368.99
Internet connections		732.02
Legal		1,241.95
Licenses and taxes		239.25
Loss on sale of fixed assets		4,896.22
Meals and entertainment		166.84
Merchant Fees		2,336.57
Miscellaneous		2,000.00
Office expense		11,242.18
Office rent		5,600.00
Salaries		107,392.46
Payroll taxes		9,762.78
Pension		2,982.57
Postage		6,692.46
Storage		2,757.60
Telephone		4,874.26
Travel		16,179.89

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$	334,001.96
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The accompanying notes are an integral part of this statement.