

**NATIONAL REINED COW HORSE ASSOCIATION**

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RAHHA HENDERSON JOHNSON, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
National Reined Cow Horse Association  
Badger, California

We have reviewed the accompanying statements of financial position of the National Reined Cow Horse Association (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of the National Reined Cow Horse Association.

A review consists principally of inquiries of National Reined Cow Horse Association's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedules 1 through 3 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Ardmore, Oklahoma  
March 29, 2011

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**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Financial Position**

	December 31,	
	2010	2009
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 556,134	\$ 1,214,061
Cash investments	1,015,479	503,216
Accounts receivable, net of \$25,295 allowance for doubtful accounts for 2010 and \$7,000 for 2009	104,294	22,190
Other receivables	-	8,571
Inventory	29,700	38,617
Prepaid expenses	950	41,802
<b>Total Current Assets</b>	<b>1,706,557</b>	<b>1,828,457</b>
 Fixed Assets, net of accumulated depreciation	 1,123	 1,733
 Total Assets	 <b>\$ 1,707,680</b>	 <b>\$ 1,830,190</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued liabilities (\$5,763 to Foundation for 2010, 0 for 2009)	7,735	48,570
Deferred membership, sponsorships, event incentives and stallion subscriptions	194,517	299,729
<b>Total Current Liabilities</b>	<b>202,252</b>	<b>348,299</b>
 Deferred sponsorships, event incentive and stallion subscriptions	 451,250	 472,000
 Total Liabilities	 653,502	 820,299
 Net Assets - Unrestricted	 1,054,178	 1,009,891
 Total Liabilities and Net Assets	 <b>\$ 1,707,680</b>	 <b>\$ 1,830,190</b>

See accompanying notes and accountant's review report.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Activities and Changes in Net Assets**

	<b>For the Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenue and Support:</b>		
Sponsored Events	\$ 5,177,280	\$ 5,416,179
Stock Horse News	217,695	208,949
Interest income	35,698	22,103
<b>Total Revenue and Support</b>	<b>5,430,673</b>	<b>5,647,231</b>
<b>Expenses:</b>		
Sponsored events	\$ 4,604,003	\$ 4,942,011
Stock Horse News	210,888	207,780
Supporting Services	571,495	523,888
<b>Total Expenses</b>	<b>5,386,386</b>	<b>5,673,679</b>
<b>Increase (Decrease) in Net Assets</b>	<b>44,287</b>	<b>(26,448)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,009,891</b>	<b>1,036,339</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,054,178</b>	<b>\$ 1,009,891</b>

See accompanying notes and accountant's review report.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Cash Flows**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	\$ 44,287	\$ (26,448)
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation	610	2,018
Decrease (increase) in accounts receivable	(82,104)	34,154
Decrease in miscellaneous receivables	8,571	4,455
Decrease in inventory	8,917	1,193
Decrease (increase) in prepaid expenses	40,852	(2,730)
(Decrease) increase in payables and accrued expenses	(40,835)	48,570
(Decrease) in deferred income	(125,962)	(85,183)
Net cash flows used by operating activities	(145,664)	(23,971)
Cash flows from investing activities:		
Decrease (increase) in certificates of deposit	(512,263)	191,216
Net cash flows provided (used) in investing activities	(512,263)	191,216
(Decrease) increase in cash and equivalents	(657,927)	167,245
Cash and cash equivalents, beginning of year	1,214,061	1,046,816
Cash and cash equivalents, end of year	\$ 556,134	\$ 1,214,061

See accompanying notes and accountant's review report.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

Note 1. Organization and Summary of Significant Accounting Policies

***Organization***

The National Reined Cow Horse Association (the Association) is a California not-for-profit formed in October 1949. The Association was formed to preserve the training techniques and riding styles of the California “vaquero” (cowboy) of early California history. The Association’s revenue is derived from the following sources: horsemanship competitions, sponsorships, membership fees, auctions and advertising income.

***Summary of Significant Accounting Policies***

The following is a summary of significant accounting policies followed in the preparation of these financial statements. These policies conform to generally accepted accounting principles:

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

***Basis of Presentations***

Net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as increases or decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

***Cash Equivalents***

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. There were cash equivalents of \$378,653 at December 31, 2010 and \$935,041 in cash equivalents at December 31, 2009.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

Note 1. Organization and Summary of Significant Accounting Policies – (continued)

**Inventory**

Inventory is stated at lower of cost or market, as determined by the first-in, first-out method. Inventory at December 31, 2010 and 2009 consisted primarily of clothing and memorabilia.

**Equipment and Depreciation**

Equipment is stated at cost. Depreciation is computed by using the straight-line method over their estimated useful lives of five years.

**Deferred Membership Income, Sponsorships, Event Incentives and Stallion Subscriptions**

Deferred membership income, event sponsorships, event incentives and stallion subscriptions represent amounts received in advance for subsequent year fees or events. The Association will recognize these revenues as income when earned within the next calendar year (current) or thereafter (long-term).

***Estimates***

The preparation of the 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.

***Concentrations of Credit and Market Risk***

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash and certificates of deposits in excess of FDIC insurance. Credit exposure is limited to two institutions and at December 31, 2010, the amount was \$881,984. Cash and certificates of deposit are maintained at high-quality financial institutions.

***Income Tax Status***

The Association is an organization described in Section 501(c)(5) of the Internal Revenue Code, and is therefore exempt from income taxes and California Franchise Tax by the California Franchise Board.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

**Note 2. Accounts Receivable**

Accounts receivable consists of billings for various events, advertising and sponsorship. Amounts consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Accounts Receivable	\$ 129,204	\$ 23,567
Related Party	385	5,623
Allowance for Doubtful Accounts	<u>(25,295)</u>	<u>(7,000)</u>
Accounts Receivable, Net	<u>\$ 104,294</u>	<u>\$ 22,190</u>

Bad debt expense was \$17,886 for 2010 and (\$7,278) for 2009.

**Note 3. Depreciable Assets**

A summary of depreciable assets at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Computers and Electronics	16,279	16,279
Furniture & Fixtures	2,099	2,099
Trailers	<u>9,001</u>	<u>9,001</u>
Total Depreciable Assets	27,379	27,379
Accumulated Depreciation	<u>(26,256)</u>	<u>(25,646)</u>
Net Assets	<u>\$ 1,123</u>	<u>\$ 1,733</u>

Depreciation expense for 2010 and 2009 was \$610 and \$2,018 respectively.



**NATIONAL REINED COW HORSE ASSOCIATION**  
**Schedule of Functional Expenses – Sponsored Events**

	<u>For the Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Winnings paid out	\$ 2,573,420	\$ 2,730,687
Show labor	348,483	380,309
Awards	299,035	280,249
Cattle expenses	196,357	212,721
Arena/facility rental	161,225	158,145
Sponsor supplies & expenses	149,615	168,028
Stalls expense	129,320	144,025
Judging fees	110,000	135,200
Travel	86,967	110,492
Horse sale expenses	81,239	104,556
Hay & shavings expense	71,209	65,810
Arena/facility expenses	61,583	56,689
Meals	61,051	50,113
Banquet	58,496	60,052
Hotel Expense	49,318	97,267
Merchandise	47,247	65,675
Judging expenses	38,119	44,569
Video expense	29,891	30,764
Advertising expense - shows	18,791	20,241
Exhibit hall expenses	12,016	12,398
Equipment rental	7,904	3,524
Signs & banners	6,849	5,681
Miscellaneous expenses	5,868	4,816
Total	<u>\$ 4,604,003</u>	<u>\$ 4,942,011</u>

**NATIONAL REINED COW HORSE ASSOCIATION  
Schedule of Functional Expenses – Stock Horse News**

	<b>For the Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Printing and reproduction	\$ 88,492	\$ 87,934
Layout and design	94,029	93,916
Postage	20,316	19,032
Commissions expense	7,308	6,383
Magazine expense	743	515
	<u>\$ 210,888</u>	<u>\$ 207,780</u>

**SCHEDULE 3**

**NATIONAL REINED COW HORSE ASSOCIATION  
Schedule of Functional Expenses – Supporting Services**

	<u>For the Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Management fees	\$ 332,500	\$ 336,027
Accounting	42,566	42,340
Bank & credit card charges	31,347	22,786
Management fees - media	24,593	24,382
Postage - office	20,931	23,552
Contribution to NRC Foundation	19,000	-
Legal fees/consulting	18,222	6,063
Bad Debt	17,886	(7,278)
Insurance	12,356	13,192
Office supplies	11,996	11,291
Printing - office	9,841	8,244
Travel	9,746	12,044
Telephone	5,075	4,397
Marketing & retainers	3,762	15,030
Website design & maintenance	3,101	858
Miscellaneous expenses	2,114	789
Rent	1,966	1,932
Contract labor	1,425	4,823
Supplies	1,396	482
Repairs & maintenance	962	752
Depreciation expense	610	2,018
Dues and subscriptions	100	164
Total	<u>\$ 571,495</u>	<u>\$ 523,888</u>