

NATIONAL REINED COW HORSE ASSOCIATION

Table of Contents

	<u>Page</u>
Independent Accountant's Review Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 7
<i>Supplementary Information</i>	
Statement of Functional Expenses – Sponsored Events	8
Statement of Functional Expenses – Stock Horse News	9
Statement of Functional Expenses – Supporting Services	10



INDEPENDENT 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, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 14, 2012

100 E Street S.W., Suite 200 | Ardmore, OK 73401
Telephone (580) 223-6454 | FAX 1-800-858-9329

NATIONAL REINED COW HORSE ASSOCIATION
Statement of Financial Position

	December 31,	
	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 430,242	\$ 556,134
Cash investments	1,043,436	1,015,479
Accounts receivable, net of \$10,295 allowance for doubtful accounts for 2011 and \$25,295 for 2010	68,956	104,294
Other receivables	22,312	-
Inventory	36,548	29,700
Prepaid expenses	48,569	950
Total Current Assets	1,650,063	1,706,557
 Fixed Assets, net of accumulated depreciation	 2,204	 1,123
 Total Assets	 \$ 1,652,267	 \$ 1,707,680
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities (\$5,763 to Foundation for 2010)	38,361	7,735
Deferred membership, sponsorships, event incentives and stallion subscriptions	158,474	194,517
Total Current Liabilities	196,835	202,252
 Deferred sponsorships, event incentive and stallion subscriptions	 404,000	 451,250
 Total Liabilities	 600,835	 653,502
 Net Assets - Unrestricted	 1,051,432	 1,054,178
 Total Liabilities and Net Assets	 \$ 1,652,267	 \$ 1,707,680

See accompanying notes and independent accountant's review report.

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

	For the Years Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
Revenue and Support:		
Sponsored Events	\$ 5,057,328	\$ 5,177,280
Stock Horse News	201,427	217,695
Interest income	<u>36,495</u>	<u>35,698</u>
Total Revenue and Support	<u>5,295,250</u>	<u>5,430,673</u>
Expenses:		
Sponsored events	\$ 4,583,698	\$ 4,604,003
Stock Horse News	204,060	210,888
Supporting Services	<u>510,238</u>	<u>571,495</u>
Total Expenses	<u>5,297,996</u>	<u>5,386,386</u>
Increase (Decrease) in Net Assets	(2,746)	44,287
Net Assets, Beginning of Year	<u>1,054,178</u>	<u>1,009,891</u>
Net Assets, End of Year	<u><u>\$ 1,051,432</u></u>	<u><u>\$ 1,054,178</u></u>

See accompanying notes and independent accountant's review report.

NATIONAL REINED COW HORSE ASSOCIATION
Statement of Cash Flows

	For the Years Ended	
	December 31,	
	2011	2010
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	\$ (2,746)	\$ 44,287
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation	600	610
Decrease (increase) in accounts receivable	35,338	(82,104)
Decrease (increase) in miscellaneous receivables	(22,312)	8,571
Decrease (increase) in inventory	(6,848)	8,917
Decrease (increase) in prepaid expenses	(47,619)	40,852
(Decrease) increase in payables and accrued expenses	30,626	(40,835)
(Decrease) in deferred income	(83,293)	(125,962)
Net cash flows used by operating activities	(96,254)	(145,664)
Cash flows from investing activities:		
Investment in Fixed Assets	(1,681)	-
Increase in certificates of deposit	(27,957)	(512,263)
Net cash flows provided (used) in investing activities	(29,638)	(512,263)
Decrease in cash and equivalents	(125,892)	(657,927)
Cash and cash equivalents, beginning of year	556,134	1,214,061
Cash and cash equivalents, end of year	\$ 430,242	\$ 556,134
Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ -

See accompanying notes and independent accountant's review report.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to Financial Statements
December 31, 2011 and 2010

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 \$430,242 at December 31, 2011 and \$556,134 in cash equivalents at December 31, 2010.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to Financial Statements
December 31, 2011 and 2010

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, 2011 and 2010 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 one institutions and at December 31, 2011, the amount was \$970,096. Cash and certificates of deposit are maintained at a 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.

Subsequent Events

Management has evaluated subsequent events through May 14, 2012, the date the financial statements were available and issued.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to Financial Statements
December 31, 2011 and 2010

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

Related Party

The Association Board of Directors approved contribution of \$19,000 to the Foundation in 2010.

Note 2. Accounts Receivable

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

	2011	2010
Accounts Receivable	\$ 76,226	\$ 129,204
Related Party	3,025	385
Allowance for Doubtful Accounts	(10,295)	(25,295)
Accounts Receivable, Net	\$ 68,956	\$ 104,294

Allowance for doubtful accounts consist of receivables unpaid after 90 days. Bad debt expense was \$2,584 for 2011 and \$17,886 for 2010.

Note 3. Depreciable Assets

A summary of depreciable assets at December 31, 2011 and 2010 is as follows:

	2011	2010
Computers and Electronics	17,959	16,279
Furniture & Fixtures	2,099	2,099
Trailers	9,001	9,001
Total Depreciable Assets	29,059	27,379
Accumulated Depreciation	(26,855)	(26,256)
Net Assets	\$ 2,204	\$ 1,123

Depreciation expense for 2011 and 2010 was \$600 and \$610 respectively.

SCHEDULE 1

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

	<u>For the Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Winnings paid out	\$ 2,525,141	\$ 2,573,420
Awards	332,118	299,035
Show labor	310,673	348,483
Cattle expenses	210,333	196,357
Sponsor supplies & expenses	162,581	149,615
Arena/facility rental	151,375	161,225
Stalls expense	125,520	129,320
Judging fees	111,800	110,000
Hay & shavings expense	89,795	71,209
Horse sale expenses	84,074	81,239
Travel	82,972	86,967
Arena/facility expenses	68,623	61,583
Meals	56,940	61,051
Banquet	54,110	58,496
Judging expenses	44,104	38,119
Merchandise	42,195	47,247
Advertising expense - shows	32,683	18,791
Hotel Expense	31,065	49,318
Video expense	29,380	29,891
Signs & banners	16,605	6,849
Exhibit hall expenses	10,905	12,016
Equipment rental	7,080	7,904
Miscellaneous expenses	3,626	5,868
Total	\$ 4,583,698	\$ 4,604,003

See independent accountant's review report.

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

	For the Years Ended December 31,	
	2011	2010
Printing and reproduction	\$ 86,547	\$ 88,492
Layout and design	90,111	94,029
Postage	21,837	20,316
Commissions expense	4,944	7,308
Magazine expense	621	743
	<u>\$ 204,060</u>	<u>\$ 210,888</u>

See independent accountant's review report.

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

	<u>For the Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Management fees	\$ 332,499	\$ 332,500
Accounting	42,335	42,566
Bank & credit card charges	24,567	31,347
Management fees - media	24,618	24,593
Postage - office	24,926	20,931
Contribution to NRC Foundation	-	19,000
Legal fees/consulting	5,120	18,222
Bad Debt	2,584	17,886
Insurance	3,342	12,356
Office supplies	6,858	11,996
Printing - office	15,219	9,841
Travel	9,283	9,746
Telephone	4,301	5,075
Marketing & retainers	2,313	3,762
Website design & maintenance	4,289	3,101
Miscellaneous expenses	2,961	2,114
Rent	1,772	1,966
Contract labor	320	1,425
Supplies	568	1,396
Repairs & maintenance	1,526	962
Depreciation expense	600	610
Dues and subscriptions	237	100
Total	<u>\$ 510,238</u>	<u>\$ 571,495</u>

See independent accountant's review report.