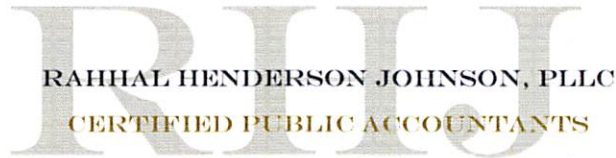


# **NATIONAL REINED COW HORSE ASSOCIATION**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
National Reined Cow Horse Association  
Pilot Point, TX

We have reviewed the accompanying statements of financial position of the National Reined Cow Horse Association (a non-profit organization) as of December 31, 2012 and 2011, the related statements of activities and cash flows for the years then ended. 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  
March 27, 2013

**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,	
	2012	2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 286,244	\$ 430,242
Cash investments	1,071,184	1,043,436
Accounts receivable (net of \$14,230 allowance for doubtful accounts for 2012, and \$10,295 for 2011)	151,763	91,268
Inventory	7,191	36,548
Prepaid expenses	42,402	48,569
Total Current Assets	1,558,784	1,650,063
Other Assets:		
Fixed assets, net of accumulated depreciation	30,751	2,204
Deposit	2,400	-
Total Other Assets	33,151	2,204
Total Assets	\$ 1,591,935	\$ 1,652,267
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 9,802	\$ 38,361
Deferred membership, sponsorships, event incentives and stallion subscriptions	275,411	158,474
Total Current Liabilities	285,213	196,835
Long Term Liabilities:	385,500	404,000
Total Liabilities	670,713	600,835
Net Assets - Unrestricted	921,222	1,051,432
Total Liabilities and Net Assets	\$ 1,591,935	\$ 1,652,267

See accompanying notes and independent accountant's review report.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Activities**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
Unrestricted		
Revenue and Support:		
Sponsored Events	\$ 5,254,128	\$ 5,057,328
Stock Horse News	193,204	201,427
Interest Income	32,618	36,495
Total Revenue and Support	<u>\$ 5,479,950</u>	<u>\$ 5,295,250</u>
 Expenses:		
Sponsored events	4,750,392	\$ 4,583,698
Stock Horse News	147,741	204,060
Supporting Services	712,027	510,238
Total Expenses	<u>\$ 5,610,160</u>	<u>\$ 5,297,996</u>
 Decrease in Net Assets:	(130,210)	(2,746)
Net Assets, Beginning of Year	<u>1,051,432</u>	<u>1,054,178</u>
Net Assets, End of Year	<u>\$ 921,222</u>	<u>\$ 1,051,432</u>

See accompanying notes and independent accountant's review report.

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities:</b>		
Decrease in net assets	\$ (130,210)	\$ (2,746)
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation	1,807	600
Decrease (increase) in accounts receivable	(60,495)	13,026
Decrease (increase) in inventory	29,357	(6,848)
Decrease (increase) in prepaid expenses	6,167	(47,619)
(Decrease) increase in payables	(28,559)	30,626
Increase(decrease) in deferred income	98,437	(83,293)
<b>Net cash flows used by operating activities</b>	<b>\$ (83,496)</b>	<b>\$ (96,254)</b>
<b>Cash flows from investing activities:</b>		
Increase in deposit	(2,400)	-
Increase in Investment in fixed assets	(30,355)	(1,681)
Increase in certificates of deposit	(27,748)	(27,957)
<b>Net cash flows used in investing activities</b>	<b>(60,503)</b>	<b>(29,638)</b>
<b>Decrease in cash and equivalents</b>	<b>\$ (143,998)</b>	<b>\$ (125,892)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>430,242</b>	<b>556,134</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 286,244</b>	<b>\$ 430,242</b>
Taxes	\$ -	\$ -
Interest	\$ -	\$ -

See accompanying notes and independent accountant's review report.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**

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. These sources of revenues account for 96 percent of total revenues. Principal markets and locations of those markets served are in central and western portions of the United States.

***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 \$286,244 at December 31, 2012 and \$430,242 in cash equivalents at December 31, 2011.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**

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

***Accounts Receivable***

Accounts receivable represent amounts due for various events, advertising and sponsorship. Finance charges are recorded monthly on balances considered past due. Amounts are past due when not paid after 30 days. Credit is suspended when unpaid receivables are 60 days past due.

***Inventory***

Inventory is stated at lower of cost or market, as determined by the first-in, first-out method. Inventory at December 31, 2012 and 2011 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. Assets are capitalized when their cost exceeds \$700 and has a useful life of more than one year.

***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.

***Income Tax Status***

The Association is an organization described in Section 501(c)(5) of the Internal Revenue Code, and is therefore exempt from California Franchise Tax by the California Franchise Board. The National Reined Cow Horse Association's federal Exempt Organizational Business Income Tax Return (form 990) for 2009, 2010 and 2011 are subject to examination by the IRS generally for 3 years after they are filed.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**

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

***Subsequent Events***

Management has evaluated subsequent events through March 27, 2013, the date the financial statements were available and issued.

Note 2. Cash

There is a custodial risk of \$833,496 in uninsured and uncollateralized cash held in excess of FDIC insurance at one institution at December 31, 2012. The custodial risk was \$970,096 within two institutions at December 31, 2011.

Note 3. Accounts Receivable

Amounts consist of the following at December 31:

	2012	2011
Accounts Receivable	\$ 148,387	\$ 76,226
Related Party:		
Accounts Receivable	1,850	188
Due from Foundation	14,159	2,837
Other Receivable	1,597	22,312
Total Accounts Receivable	165,993	101,563
Allowance for Doubtful Accounts	(14,230)	(10,295)
Accounts Receivable, Net	\$ 151,763	\$ 91,268

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was \$10,270 for 2012 and \$2,584 for 2011.

Accounts receivable past due 90 days or more and still accruing finance charges totaled \$6,909 at December 31, 2012. Amounts not accruing finance charges because management has determined an error in billing is \$15,700.



**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to Financial Statements**

Note 4. Depreciable Assets

A summary of depreciable assets at December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Computers and Electronics	\$ 35,079	\$ 17,959
Furniture & Fixtures	15,334	2,099
Trailers	<u>9,001</u>	<u>9,001</u>
Total Depreciable Assets	59,414	29,059
Accumulated Depreciation	<u>(28,663)</u>	<u>(26,855)</u>
Net Assets	<u>\$ 30,751</u>	<u>\$ 2,204</u>

Depreciation expense for 2012 and 2011 was \$1,807 and \$600 respectively.

Note 5. Related Party

The amount due from National Reined Cow Horse Foundation was \$14,159 in 2012 and \$2,837 in 2011. Related parties, which were arms-length transactions, had balances of \$1,850 at December 31, 2012 and \$188 at December 31, 2011.

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

	<u>For the Years Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Winnings Paid Out	\$ 2,603,076	\$ 2,525,141
Show Labor	316,323	310,673
Awards	315,447	332,118
Cattle Expenses	243,383	210,333
Arena/Facility Rental	196,125	151,375
Sponsor Supplies & Expenses	154,851	162,581
Stalls Expenses	123,225	125,520
Judging Fees	123,410	111,800
Travel	79,887	82,972
Horse Sale Expenses	117,220	84,074
Hay & Shavings Expenses	112,969	89,795
Arena/Facility Expenses	59,474	68,623
Meals	63,972	56,940
Banquet	53,453	54,110
Hotel Expense	59,195	31,065
Merchandise	4,538	42,195
Judging Expenses	34,326	44,104
Video Expenses	39,198	29,380
Advertising Expenses - Shows	27,021	32,683
Exhibit Hall Expenses	9,089	10,905
Equipment Rental	1,397	7,080
Signs & Banners	8,743	16,605
Miscellaneous Expenses	4,070	3,626
<b>Total</b>	<b>\$ 4,750,392</b>	<b>\$ 4,583,698</b>

See independent accountant's review report.

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

	<b>For the Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Printing and Reproduction	\$ 60,929	\$ 86,547
Layout and Design	68,998	90,111
Postage	13,645	21,837
Commissions Expense	4,091	4,944
Magazine Expense	78	621
<b>Total</b>	<b>\$ 147,741</b>	<b>\$ 204,060</b>

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>2012</u>	<u>2011</u>
Management Fees	\$ 332,500	\$ 332,499
Transition Cost	152,979	-
Accounting	42,770	42,335
Bank & Credit Card Charges	43,631	24,672
Management Fees - Media	23,607	24,618
Postage - Office	23,777	24,926
Legal fees/Consulting	11,832	5,120
Bad Debt	10,270	2,584
Insurance	6,023	3,342
Office Supplies	8,942	6,858
Printing - Office	12,127	15,219
Travel	12,134	9,283
Telephone	3,901	4,301
Marketing & Retainers	5,752	2,313
Website design & Maintenance	13,530	4,289
Miscellaneous Expenses	3,084	2,856
Rent	2,151	1,772
Contract Labor	450	320
Supplies	35	568
Repairs & Maintenance	417	1,526
Depreciation Expense	1,807	600
Dues and Subscriptions	308	237
<b>Total</b>	<b>\$ 712,027</b>	<b>\$ 510,238</b>

See independent accountant's review report.