

National Reined Cow Horse Association  
Financial Statements  
Year-End December 31, 2014 and 2013

RHJ

# NATIONAL REINED COW HORSE ASSOCIATION

## 2014 BOARD OF DIRECTORS

Todd Crawford	President
Paul Bailey	Vice President
Sandy Collier	Secretary
Jerry Peters	Treasurer
Amanda Gardiner	Executive Committee
Jake Telford	Executive Committee
Dave Allen	Board Member
Todd Bergen	Board Member
Joe Carter	Board Member
Jay Holmes	Board Member
Rory Livingston	Board Member
Dan Roeser	Board Member
Jon Roeser	Board Member
Bill Tointon	Board Member
Tish Wilhite	Board Member

# 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 financial statements of National Reined Cow Horse Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows and functional expense for the years 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 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.

Ardmore, Oklahoma  
May 29, 2015

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

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 387,836	\$ 288,135
Cash Investments	1,127,755	1,098,592
Accounts Receivable, Net	153,025	130,289
Inventory	8,304	1,598
Prepaid Expenses	25,096	10,449
Property and Equipment, net of accumulated depreciation	30,532	25,896
Deposit	2,000	2,000
	<b>\$ 1,734,548</b>	<b>\$ 1,556,959</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 99,546	\$ 71,409
Refundable Deposits	28,241	16,971
Event Incentives and Subscription Deferred Income	87,309	83,982
Current Portion of Stallion Subscription	99,950	98,200
Membership and Sponsorship Deferred Income	168,150	115,865
	483,196	386,427
Long Term Liabilities:		
Stallion Subscription Deferred Income	245,900	266,100
	729,096	652,527
Total Liabilities	729,096	652,527
Net Assets - Unrestricted	1,005,452	904,432
	<b>\$ 1,734,548</b>	<b>\$ 1,556,959</b>

See accompanying notes and independent accountant's review report

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted Revenue and Support:		
Sponsored Events	\$ 5,562,929	\$ 4,984,124
Memberships	169,682	120,978
Cow Horse News	58,920	50,873
Interest Income	30,746	30,530
Total Unrestricted Revenue and Support	<u>5,822,277</u>	<u>5,186,505</u>
 Expenses:		
Program Services		
Sponsored events	4,839,588	4,383,098
Stock Horse News	108,307	85,634
Supporting Services	773,362	734,563
Total Expenses	<u>5,721,257</u>	<u>5,203,295</u>
 Net Change in Unrestricted Net Assets	101,020	(16,790)
Net Assets - Unrestricted, Beginning of Year	904,432	921,222
Net Assets - Unrestricted, End of Year	<u>\$ 1,005,452</u>	<u>\$ 904,432</u>

See accompanying notes and independent accountant's review report

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 101,020	\$ (16,790)
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	6,515	6,029
(Increase) decrease in:		
Accounts Receivable	(22,736)	21,474
Inventory	(6,706)	5,592
Prepaid Expenses	(14,647)	31,953
Increase (decrease) in:		
Accounts Payable	28,137	61,607
Deferred Revenue	48,431	(79,792)
	<u>140,014</u>	<u>30,073</u>
Net Cash Flows Provided (Used) by Operating Activities	\$ 140,014	\$ 30,073
<b>Cash Flows from Investing Activities:</b>		
Decrease (Increase) in Deposit	-	400
Purchase of Fixed Assets	(11,151)	(1,174)
Purchase of Certificates of Deposit	(29,162)	(27,408)
	<u>(40,313)</u>	<u>(28,182)</u>
Net Cash Flows used in Investing Activities	\$ (40,313)	\$ (28,182)
Increase (decrease) in cash and equivalents	99,701	1,891
Cash and cash equivalents, beginning of year	288,135	286,244
Cash and cash equivalents, end of year	<u>\$ 387,836</u>	<u>\$ 288,135</u>

See accompanying notes and independent accountant's review report

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2014**

	Program Expenses			Total
	Sponsored Events	Cow Horse News	Support Services	
Advertising Expenses - Shows	28,328	-	-	28,328
Arena/Facility Expenses	57,448	-	-	57,448
Arena/Facility Rental	179,757	-	-	179,757
Awards	221,059	-	52,519	273,578
Bad Debt	7,625	-	-	7,625
Bank & Credit Card Charges	-	-	33,552	33,552
Banquet	54,757	-	-	54,757
Cattle Expenses	282,889	-	-	282,889
Contract Labor	-	-	270	270
Depreciation Expense	-	-	6,515	6,515
Dues and Subscriptions	-	-	1,355	1,355
Equipment Rental	2,298	-	-	2,298
Horse Sale Expenses	7,864	-	-	7,864
Insurance	-	-	31,546	31,546
Judging Fees	134,550	-	-	134,550
Legal Fees/Consulting	-	-	10,932	10,932
Licenses & Permits	2,277	-	25,000	27,277
Magazine Expenses	-	108,307	-	108,307
Management Fees-Media	-	-	18,117	18,117
Marketing & Retainers	-	-	17,486	17,486
Merchandise	13,490	-	-	13,490
Miscellaneous Expenses	7,511	-	185	7,696
Office Supplies	10,458	-	8,686	19,144
Payroll and Taxes	-	-	363,822	363,822
Postage	3,254	-	13,504	16,758
Printing and Reproduction	6,712	-	27,867	34,579
Professional Fees	5,315	-	71,954	77,269
Rent	-	-	26,863	26,863
Repairs & Maintenance	-	-	943	943
Show Expense	257,503	-	-	257,503
Show Labor	311,651	-	-	311,651
Signs & Banners	14,806	-	-	14,806
Sponsor Supplies & Expense	-	-	6,500	6,500
Stalls Expenses	91,840	-	-	91,840
Telephone	-	-	7,740	7,740
Travel & Entertainment	221,161	-	25,508	246,669
Utilities	-	-	11,269	11,269
Video Expenses	107,646	-	-	107,646
Website Design & Maintenance	-	-	8,729	8,729
Winnings Paid Out	2,809,389	-	2,500	2,811,889
	<u>4,839,588</u>	<u>108,307</u>	<u>773,362</u>	<u>5,721,257</u>

See accompanying notes and independent accountant's review report



**NATIONAL REINED COW HORSE ASSOCIATION**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2013**

	Program Expenses			Total
	Sponsored Events	Cow Horse News	Support Services	
Advertising Expenses - Shows	20,913	-	-	20,913
Arena/Facility Expenses	71,660	-	-	71,660
Arena/Facility Rental	47,950	-	-	47,950
Awards	220,034	-	31,961	251,995
Bad Debt	2,380	-	-	2,380
Bank & Credit Card Charges	-	-	34,986	34,986
Banquet	51,091	-	-	51,091
Cattle Expenses	274,873	-	-	274,873
Commissions Expenses	-	(53)	-	(53)
Contract Labor	-	-	1,162	1,162
Depreciation Expense	-	-	6,029	6,029
Dues and Subscriptions	-	-	1,188	1,188
Equipment Rental	339	-	-	339
Horse Sale Expenses	16,818	-	-	16,818
Insurance	-	-	21,247	21,247
Judging Fees	109,750	-	-	109,750
Layout and Design	-	1,700	-	1,700
Legal Fees/Consulting	-	-	23,294	23,294
Licenses & Permits	2,717	-	25,000	27,717
Magazine Expenses	-	81,307	-	81,307
Management Fees-Media	-	-	20,200	20,200
Marketing & Retainers	-	-	10,861	10,861
Merchandise	4,397	-	-	4,397
Miscellaneous Expenses	5,020	-	27,216	32,236
Office Supplies	20,244	-	7,803	28,047
Payroll and Taxes	969	-	332,282	333,251
Postage	0	2,680	19,672	22,352
Printing and Reproduction	3,585	-	17,409	20,994
Professional Fees	0	-	85,249	85,249
Rent	-	-	26,769	26,769
Repairs & Maintenance	-	-	500	500
Show Expense	276,990	-	-	276,990
Show Labor	288,824	-	-	288,824
Signs & Banners	17,038	-	-	17,038
Sponsor Supplies & Expense	-	-	7,500	7,500
Stalls Expenses	164,205	-	-	164,205
Telephone	-	-	6,744	6,744
Transition Cost	-	-	4,138	4,138
Travel & Entertainment	137,148	-	-	137,148
Utilities	-	-	5,955	5,955
Video Expenses	45,238	-	-	45,238
Website Design & Maintenance	-	-	17,398	17,398
Winnings Paid Out	2,600,915	-	-	2,600,915
	<u>4,383,098</u>	<u>85,634</u>	<u>734,563</u>	<u>5,203,295</u>

See accompanying notes and independent accountant's review report

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

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 94 percent of total revenues. Principal markets and locations of those markets served are in central and western portions of the United States.

Note 2 - Summary of Significant Accounting Policies

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

**Net Assets** - 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.

*Temporarily restricted net assets* – are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The temporary restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. The Association did not have temporary restricted net assets as of December 31, 2014 and 2013.

*Permanently restricted net assets* – are assets subject to explicit stipulations imposed by the donor to be maintained in perpetuity. The Association did not have permanently restricted net assets as of December 31, 2014 and 2013.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Note 2 - Summary of Significant Accounting Policies (Continued)

***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 \$387,836 at December 31, 2014 and \$288,135 in cash equivalents at December 31, 2013.

***Cash Investments*** – The Association holds certificates of deposits as investments. These investments have original maturities of more than three months. Investment income is reinvested throughout the year. Investment income is \$29,162 and \$27,408 for the years ending December 31, 2014 and 2013, respectively.

***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, 2014 and 2013 consisted primarily of memorabilia.

***Property and Equipment*** - Equipment is stated at cost. Depreciation is computed by using the straight-line method over their estimated useful lives of five and seven years. Assets are capitalized when their cost exceeds \$700 and has a useful life of more than one year.

***Revenue Recognition*** - The primary sources of Revenue for the Association are recognized as follows:

*Memberships and membership services:* Association memberships are deferred and recognized as income during the membership period. Amounts received for registration, transfer and other member services are reflected in income as the required process is completed.

*Event Shows:* Income from shows is deferred and recognized as income in the period in which the show takes place.

*Sponsorships:* Sponsorship income is deferred and recognized as income in accordance with the terms of various sponsorship agreements.

*Publication, advertising and circulation:* Subscription for the Association's Trade publication are deferred and recognized as income during the subscription period.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Note 2 - Summary of Significant Accounting Policies (Continued)

*Incentive Funds and Stallion Subscription programs:* All incentive fund receipts are credited to deferred income until incurred. The Association recognizes revenue and expense for these programs for the amount of prize monies and awards paid (see Note 8).

*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 2011, 2012 and 2013 are subject to examination by the IRS generally for 3 years after they are filed.

*Reclassification* - Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

*Subsequent Events* - Management has evaluated subsequent events through May 29, 2015, the date the financial statements were available and issued.

Note 3 – Cash, Cash Equivalents and Concentration of Credit Risk

The Association considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

The Association has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$925,947 at December 31, 2014 and \$863,083 at December 31, 2013. The Association maintains its cash with a high quality financial institution which the Association believes limits these risks.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Note 4 - Accounts Receivable

Amounts consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Accounts Receivable	\$ 180,124	\$ 124,031
Related Party:		
Due from Foundation	-	14,571
Total Accounts Receivable	<u>180,124</u>	<u>138,602</u>
Allowance for Doubtful Accounts	<u>(27,099)</u>	<u>(8,313)</u>
Accounts Receivable, Net	<u>\$ 153,025</u>	<u>\$ 130,289</u>

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was -for 2014 and - for 2013.

Note 5 - Depreciable Assets

A summary of depreciable assets at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Computers & Equipment	\$ 28,966	\$ 28,966
Furniture & Fixtures	27,659	16,508
Machinery and Equipment	6,113	6,113
Vehicles	<u>9,001</u>	<u>9,001</u>
Total Depreciable Assets	\$ 71,739	\$ 60,588
Less: Accumulated Depreciation	<u>(41,207)</u>	<u>(34,692)</u>
Property and Equipment, net	<u>\$ 30,532</u>	<u>\$ 25,896</u>

Depreciation expense for 2014 and 2013 was \$6,515 and \$6,029, respectively.

Note 6 - Related Party

For 2014, an amount was payable to the National Reined Cow Horse Foundation in the amount of \$14,084. In 2013, an amount was due from National Reined Cow Horse Foundation in the amount of \$14,571.

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Note 7 - Transactions in funds held for Agencies

The Association holds certain accounts for the Owner's Committee and the NRCHA Youth Association as agency balances, which are shown as liabilities by the Association. The Owner's Committee and NRCHA Youth Association receives donations or conducts fundraisers for additions in these accounts and make decisions on how these balances are used. The financial effects of transactions related to agency funds are recorded as changes in the funds held for agencies' liability and are not included in the statements of activities. The changes in that liability are summarized as follows:

	<u>2014</u>	<u>2013</u>
Additions:		
Donations	3,390	4,037
Fundraisers	10,883	1,968
Total additions	<u>14,273</u>	<u>6,005</u>
Deductions:		
Member approved Distributions	(1,716)	(7,973)
Fundraiser expenses	(1,287)	-
Total deductions	<u>(3,003)</u>	<u>(7,973)</u>
Change in Balance	11,270	(1,968)
Balance in Agency Funds, Beginning of year	<u>16,971</u>	<u>18,939</u>
Balance in Agency Funds, End of year	<u><u>28,241</u></u>	<u><u>16,971</u></u>

Note 8 – Incentive Program Deferred Income

NRCHA has the following incentive programs:

***NRCHA Yearling Purse*** - This incentive is for yearlings that actually *sell to a new owner* in the Select Yearling & Broodmare Sale or the Classic Yearling & Broodmare Sale. A nomination fee of \$250 will pay the yearling up for the Yearling Sale Purse. The total of the nomination fees will be paid to the highest advancing eligible entry in both the open and non-pro futurity preliminaries and is split based on the relative number of entries in each division.

***NRCHA 2 Year-old Sale Purse*** - Consignors of the NRCHA 2 Year-Old Sale Purse Incentive winners will receive \$1,500 for Open and \$500 for the Non Pro from the Select 2 Year-Old Sale

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Incentive Purse funds. Each year, Ward River Ranch donates the NRCHA Futurity Raffle Colt or Filly.

Note 8 – Incentive Program Deferred Income (continued)

Half of the raffle proceeds are used to sponsor the NRCHA 2 Year-Old Sale Purse. This money, plus \$150 from the entry fee of each NRCHA Select 2 Year-Old Sale entry, is combined to make the NRCHA 2 Year-Old Sale Purse.

NRCHA guarantees that the NRCHA 2 Year-Old Sale Purse will be at least \$30,000. Only entries which sell and change ownership are eligible for the NRCHA 2 Year-Old Sale Purse. After the Consignor purse is paid, the balance of the purse will be paid in the following manner: 70% will be paid to the highest advancing Select 2 Year-Old Sale entry in the NRCHA Open Futurity Preliminaries and 30% will be paid to the highest advancing Select 2 Year-Old Sale entry in the Non Pro Futurity Preliminaries. An entry must be sold through the Select 2 Year-Old Sale and transferred to the new owner to be eligible for the Select 2 Year-Old Sale Purse.

The following is a summary of activity of the Incentive Programs for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Balance of funds, beginning of year	83,982	81,882
Program Receipts	1,818,452	1,561,712
Program Disbursements	<u>(1,815,126)</u>	<u>(1,559,611)</u>
Balance of funds, end of year	<u>87,309</u>	<u>83,982</u>

***Subscribed Stallions Program-*** The NRCHA Subscribed Stallion program has been created to enhance the Reined Cow Horse breeding industry. Foals of subscribed stallions are eligible to compete in the NRCHA Stakes, and to have preference selling in the NRCHA Snaffle Bit Futurity Sales.

The following is a summary of activity of the Subscribed Stallions program for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Balance of fund, Beginning of year	364,300	385,500
Program Receipts	101,000	109,750
Program Disbursements	<u>(119,450)</u>	<u>(130,950)</u>
Balance of Fund, end of year	<u>345,850</u>	<u>364,300</u>

**NATIONAL REINED COW HORSE ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2014**

Of these balances \$99,950 and \$98,200 are considered current liabilities for 2014 and 2013, respectively.