

National Reined Cow Horse Association
Financial Statements
Year-End December 31, 2015 and 2014

RHJ

NATIONAL REINED COW HORSE ASSOCIATION

2015 BOARD OF DIRECTORS

Todd Bergen	President
Paul Bailey	Vice President
Sandy Collier	Secretary
Jerry Peters	Treasurer
Amanda Gardiner	Executive Committee
Jake Telford	Executive Committee
Todd Crawford	Executive Committee
Brad Barkemeyer	Board Member
Joe Carter	Board Member
Dan Roeser	Board Member
Jon Roeser	Board Member
Bill Tointon	Board Member
Dave Allen	Board Member
Diane Edwards	Board Member
Jimmy Strickler	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 December 31, 2015 and 2014, 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 15, 2016

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NATIONAL REINED COW HORSE ASSOCIATION
Statements of Financial Position

	December 31,	
	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 1,272,817	\$ 387,836
Cash Investments	194,332	1,127,755
Accounts Receivable, Net	136,130	153,025
Inventory	4,580	8,304
Prepaid Expenses	58,380	25,096
Property and Equipment, net of accumulated depreciation	22,360	30,532
Deposit	2,000	2,000
	\$ 1,690,599	\$ 1,734,548
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 103,806	\$ 99,546
Refundable Deposits	26,613	28,241
Event Incentives and Subscription Deferred Income	103,397	87,309
Current Portion of Stallion Subscription	87,200	99,950
Membership and Sponsorship Deferred Income	118,618	168,150
	439,634	483,196
Long Term Liabilities:		
Stallion Subscription Deferred Income	257,200	245,900
	696,834	729,096
	993,765	1,005,452
	\$ 1,690,599	\$ 1,734,548

See accompanying notes and independent accountant's review report

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Activities

	For the Years Ended	
	December 31,	
	2015	2014
UNRESTRICTED NET ASSETS		
Unrestricted Revenue and Support:		
Sponsored Events	\$ 5,492,999	\$ 5,406,837
Memberships	149,163	169,681
Cow Horse News	65,342	58,920
Other General	207,726	156,093
Interest Income	4,137	30,746
Total Unrestricted Revenue and Support	5,919,367	5,822,277
Expenses:		
Program Services		
Sponsored events	5,091,477	4,838,823
Stock Horse News	91,757	108,307
Supporting Services	747,820	774,127
Total Expenses	5,931,054	5,721,257
Net Change in Unrestricted Net Assets	(11,687)	101,020
Net Assets - Unrestricted, Beginning of Year	1,005,452	904,432
Net Assets - Unrestricted, End of Year	\$ 993,765	\$ 1,005,452

See accompanying notes and independent accountant's review report

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (11,687)	\$ 101,020
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	9,992	6,515
(Increase) decrease in:		
Accounts Receivable	16,895	(22,736)
Inventory	3,723	(6,706)
Prepaid Expenses	(33,284)	(14,647)
Increase (decrease) in:		
Accounts Payable	4,259	28,137
Deferred Revenue	(36,521)	48,431
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (46,623)</u>	<u>\$ 140,014</u>
Cash Flows from Investing Activities:		
Decrease (Increase) in Deposit	-	-
Purchase of Fixed Assets	(1,820)	(11,151)
Purchase of Mutual Fund Investment	(166,577)	(29,162)
Certificate of Deposits Matured	<u>1,100,000</u>	<u>-</u>
Net Cash Flows Provided (Used) in Investing Activities	<u>\$ 931,603</u>	<u>\$ (40,313)</u>
Increase (decrease) in cash and equivalents	884,980	99,701
Cash and cash equivalents, beginning of year	<u>387,836</u>	<u>288,135</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,272,816</u></u>	<u><u>\$ 387,836</u></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, 2015

	Program Expenses			Total
	Sponsored Events	Cow Horse News	Support Services	
Advertising Expenses - Shows	18,961	-	-	18,961
Arena/Facility Expenses	86,244	-	-	86,244
Arena/Facility Rental	153,455	-	-	153,455
Awards	221,182	-	64,720	285,902
Bad Debt	1,796	-	22,668	24,464
Bank & Credit Card Charges	-	-	28,916	28,916
Banquet	56,986	-	-	56,986
Cattle Expenses	355,166	-	-	355,166
Contract Labor	-	-	163	163
Depreciation Expense	-	-	9,992	9,992
Dues and Subscriptions	-	-	898	898
Equipment Rental	194	-	-	194
Horse Sale Expenses	17,565	-	-	17,565
Insurance	-	-	35,563	35,563
Judging Fees	147,422	-	25,000	172,422
Legal Fees/Consulting	10,000	-	6,302	16,302
Licenses & Permits	1,485	-	-	1,485
Magazine Expenses	-	91,757	-	91,757
Management Fees-Media	-	-	17,458	17,458
Marketing & Retainers	-	-	14,890	14,890
Miscellaneous Expenses	102	-	742	844
Office Supplies	-	-	6,508	6,508
Payroll and Taxes	-	-	348,112	348,112
Postage	2,953	-	12,371	15,324
Printing and Reproduction	7,829	-	16,147	23,976
Professional Fees	480	-	53,958	54,438
Rent	1,419	-	29,160	30,579
Repairs & Maintenance	-	-	1,773	1,773
Show Expense	241,022	-	-	241,022
Show Labor	323,117	-	-	323,117
Signs & Banners	19,698	-	2,002	21,700
Sponsor Supplies & Expense	37,952	-	12,500	50,452
Stalls Expenses	109,190	-	-	109,190
Telephone	2,676	-	7,199	9,875
Travel & Entertainment	247,203	-	10,525	257,728
Utilities	-	-	13,904	13,904
Video Expenses	123,277	-	135	123,412
Website Design & Maintenance	7,674	-	3,714	11,388
Winnings Paid Out	2,896,429	-	2,500	2,898,929
	<u>5,091,477</u>	<u>91,757</u>	<u>747,820</u>	<u>5,931,054</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	-	25,000	159,550
Legal Fees/Consulting	-	-	10,932	10,932
Licenses & Permits	2,277	-	-	2,277
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	6,746	-	948	7,694
Office Supplies	10,458	-	8,688	19,146
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>4,838,823</u>	<u>108,307</u>	<u>774,127</u>	<u>5,721,257</u>

See accompanying notes and independent accountant's review report

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the 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 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, 2015 and 2014.

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, 2015 and 2014.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

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 \$1,272,817 at December 31, 2015 and \$387,836 in cash equivalents at December 31, 2014.

Cash Investments – During 2014, The Association holds certificates of deposits as investments. These deposits matured during 2015 fiscal year, and funds were reinvested into savings account and mutual funds. Investment income from all investments is reinvested throughout the year. Investment income is \$11,627 and \$29,162 for the years ending December 31, 2015 and 2014, 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, 2015 and 2014 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

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 2012, 2013 and 2014 are subject to examination by the IRS generally for 3 years after they are filed.

Reclassification - Certain reclassifications have been made to the 2014 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 15, 2016, 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 \$902,773 at December 31, 2015 and \$925,947 at December 31, 2014. 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

Note 4 - Accounts Receivable

Amounts consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Accounts Receivable	\$ 180,044	\$ 180,124
Allowance for Doubtful Accounts	(43,914)	(27,099)
Accounts Receivable, Net	<u>\$ 136,130</u>	<u>\$ 153,025</u>

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was \$1,796 for 2015 and \$7,625 for 2014.

Note 5 - Depreciable Assets

A summary of depreciable assets at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Computers & Equipment	\$ 29,832	\$ 28,966
Furniture & Fixtures	28,613	27,659
Machinery and Equipment	6,113	6,113
Vehicles	9,001	9,001
Total Depreciable Assets	<u>\$ 73,559</u>	<u>\$ 71,739</u>
Less: Accumulated Depreciation	(51,199)	(41,207)
Property and Equipment, net	<u>\$ 22,360</u>	<u>\$ 30,532</u>

Depreciation expense for 2015 and 2014 was \$9,992 and \$6,515, respectively.

Note 6 - Related Party

For 2015, an amount is payable to the National Reined Cow Horse Foundation in the amount of \$795. In 2014, a payable was due to the National Reined Cow Horse Foundation in the amount of \$14,084.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

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>2015</u>	<u>2014</u>
Additions:		
Donations	489	3,390
Fundraisers	3,517	10,883
Total additions	<u>4,006</u>	<u>14,273</u>
Deductions:		
Member approved Distributions	(5,059)	(1,716)
Fundraiser expenses	(575)	(1,287)
Total deductions	<u>(5,634)</u>	<u>(3,003)</u>
Change in Balance	(1,628)	11,270
Balance in Agency Funds, Beginning of year	<u>28,241</u>	<u>16,971</u>
Balance in Agency Funds, End of year	<u><u>26,613</u></u>	<u><u>28,241</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 Incentive Purse funds. Each year, Ward River Ranch donates the NRCHA Futurity Raffle Colt or Filly.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

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>2015</u>	<u>2014</u>
Balance of funds, beginning of year	87,309	83,982
Program Receipts	1,858,250	1,818,452
Program Disbursements	<u>(1,842,161)</u>	<u>(1,815,126)</u>
Balance of funds, end of year	<u>103,397</u>	<u>87,309</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>2015</u>	<u>2014</u>
Balance of fund, Beginning of year	345,850	361,800
Program Receipts	135,500	98,500
Program Disbursements	<u>(136,950)</u>	<u>(114,450)</u>
Balance of Fund, end of year	<u>344,400</u>	<u>345,850</u>

Of these balances \$87,200 and \$99,950 are considered current liabilities for 2015 and 2014, respectively.