

**National Reined Cow Horse Association**  
Financial Statements  
Year-End December 31, 2016 and 2015

RHJ

# NATIONAL REINED COW HORSE ASSOCIATION

## 2016 BOARD OF DIRECTORS

Todd Bergen	President
Paul Bailey	Vice President
Sandy Collier	Secretary
Trey Neal	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
Jim Lane	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 statements of financial position as of December 31, 2016 and 2015, 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 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 accordance with accounting principles generally accepted in the United States of America.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 26, 2017

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

	December 31,	
	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,360,151	\$ 1,272,817
Cash Investments	312,548	194,332
Accounts Receivable, Net	121,982	136,130
Inventory	-	4,580
Prepaid Expenses	82,849	58,380
Property and Equipment, net of accumulated depreciation	15,063	22,360
Deposit	2,000	2,000
	<u>1,894,593</u>	<u>1,690,599</u>
Total Assets	<u>\$ 1,894,593</u>	<u>\$ 1,690,599</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 20,780	\$ 103,806
Refundable Deposits	27,022	26,613
Event Incentives and Subscription Deferred Income	106,689	103,397
Current Portion of Stallion Subscription	79,450	87,200
Membership and Sponsorship Deferred Income	188,947	118,618
	<u>422,888</u>	<u>439,634</u>
Total Current Liabilities	422,888	439,634
Long Term Liabilities:		
Stallion Subscription Deferred Income	265,500	257,200
	<u>265,500</u>	<u>257,200</u>
Total Liabilities	688,388	696,834
Net Assets - Unrestricted	<u>1,206,205</u>	<u>993,765</u>
Total Liabilities and Net Assets	<u>\$ 1,894,593</u>	<u>\$ 1,690,599</u>

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>	
	<b>2016</b>	<b>2015</b>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted Revenue and Support:		
Sponsored Events	\$ 5,546,767	\$ 5,492,999
Memberships	160,460	149,163
Cow Horse News	70,379	65,342
Other General	222,959	207,726
Interest Income	22,527	4,137
Total Unrestricted Revenue and Support	6,023,092	5,919,367
Expenses:		
Program Services		
Sponsored events	4,942,607	5,103,977
Cow Horse News	87,726	91,757
Supporting Services	780,319	735,320
Total Expenses	5,810,652	5,931,054
Net Change in Unrestricted Net Assets	212,440	(11,687)
Net Assets - Unrestricted, Beginning of Year	993,765	1,005,452
Net Assets - Unrestricted, End of Year	\$ 1,206,205	\$ 993,765

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>	
	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 212,440	\$ (11,687)
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	10,357	9,992
Unrealized Gains on Investment	(19,732)	-
(Increase) decrease in:		
Accounts Receivable	14,148	16,896
Inventory	4,581	3,723
Prepaid Expenses	(24,469)	(33,284)
Increase (decrease) in:		
Accounts Payable	(83,026)	4,259
Deferred Revenue	74,579	(36,521)
	<u>188,878</u>	<u>(46,622)</u>
Net Cash Flows Provided (Used) by Operating Activities	\$	\$
<b>Cash Flows from Investing Activities:</b>		
Decrease (Increase) in Deposit	-	-
Purchase of Fixed Assets	(3,060)	(1,820)
Purchase of Mutual Fund Investment	(100,000)	(166,577)
Certificate of Deposits Matured	1,516	1,100,000
	<u>(101,544)</u>	<u>931,603</u>
Net Cash Flows Provided (Used) in Investing Activities	\$	\$
Increase (decrease) in cash and equivalents	87,334	884,981
Cash and cash equivalents, beginning of year	1,272,817	387,836
Cash and cash equivalents, end of year	<u>\$ 1,360,151</u>	<u>\$ 1,272,817</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, 2016**

	Program Expenses			Total
	Sponsored Events	Cow Horse News	Support Services	
Advertising Expenses - Shows	18,050	-	-	18,050
Arena/Facility Expenses	86,915	-	-	86,915
Arena/Facility Rental	151,550	-	-	151,550
Awards	181,375	-	79,477	260,852
Bad Debt	3,473	-	-	3,473
Bank & Credit Card Charges	264	-	36,456	36,720
Banquet	57,681	-	-	57,681
Cattle Expenses	352,492	-	-	352,492
Depreciation Expense	-	-	10,357	10,357
Dues and Subscriptions	-	-	1,472	1,472
Equipment Rental	194	-	1,302	1,496
Horse Sale Expenses	11,849	-	-	11,849
Insurance	-	-	38,163	38,163
Judging Fees	149,703	-	25,000	174,703
Layout and Design	891	-	780	1,671
Legal Fees/Consulting	10,000	-	3,058	13,058
Licenses & Permits	1,554	-	-	1,554
Magazine Expenses	-	87,726	-	87,726
Management Fees-Media	-	-	19,096	19,096
Marketing & Retainers	-	-	12,335	12,335
Merchandise	-	-	4,581	4,581
Miscellaneous Expenses	1,289	-	2,557	3,846
Office Supplies	-	-	4,324	4,324
Payroll and Taxes	-	-	390,238	390,238
Postage	3,529	-	9,925	13,454
Printing and Reproduction	5,774	-	20,759	26,533
Professional Fees	-	-	50,607	50,607
Rent	-	-	29,460	29,460
Repairs & Maintenance	-	-	2,713	2,713
Show Expense	290,074	-	-	290,074
Show Labor	309,306	-	-	309,306
Signs & Banners	15,973	-	80	16,053
Sponsor Supplies & Expense	54,905	-	-	54,905
Stalls Expenses	116,755	-	-	116,755
Telephone	-	-	9,393	9,393
Travel & Entertainment	251,034	-	12,160	263,194
Utilities	3,500	-	9,603	13,103
Video Expenses	99,553	-	214	99,767
Website Design & Maintenance	1,000	-	3,709	4,709
Winnings Paid Out	2,763,924	-	2,500	2,766,424
	<u>4,942,607</u>	<u>87,726</u>	<u>780,319</u>	<u>5,810,652</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
Layout and Design	480	-	1,225	1,705
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	-	-	52,733	52,733
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	50,452	-	-	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>5,103,977</u>	<u>91,757</u>	<u>735,320</u>	<u>5,931,054</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, 2016 and 2015.

*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, 2016 and 2015.

**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 \$1,360,151 at December 31, 2016 and \$1,272,817 in cash equivalents at December 31, 2015.

**Cash Investments** – During 2015, the balance of previously held certificates of deposits were reinvested into savings account and mutual funds. Investment income from all investments is reinvested throughout the year. Investment income is \$4,311 and \$11,627 for the years ending December 31, 2016 and 2015, respectively. Unrealized gain or (loss) was \$19,732 and (\$7,185) for December 31, 2016 and 2015, 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 consisted primarily of memorabilia. During 2016 the inventory balance was liquidated.

**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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

*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 2013, 2014 and 2015 are subject to examination by the IRS generally for 3 years after they are filed.

**Reclassification** - Certain reclassifications have been made to the 2015 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 April 26, 2017, 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 \$1,108,682 at December 31, 2016 and \$902,773 at December 31, 2015. 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>2016</u>	<u>2015</u>
Accounts Receivable	\$ 158,896	\$ 180,044
Allowance for Doubtful Accounts	(36,914)	(43,914)
Accounts Receivable, Net	<u>\$ 121,982</u>	<u>\$ 136,130</u>

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was \$3,473 for 2016 and \$1,796 for 2015.

Note 5 - Depreciable Assets

A summary of depreciable assets at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Computers & Equipment	\$ 30,790	\$ 29,832
Furniture & Fixtures	30,715	28,613
Machinery and Equipment	6,113	6,113
Vehicles	9,001	9,001
Total Depreciable Assets	<u>\$ 76,619</u>	<u>\$ 73,559</u>
Less: Accumulated Depreciation	(61,556)	(51,199)
Property and Equipment, net	<u>\$ 15,063</u>	<u>\$ 22,360</u>

Depreciation expense for 2016 and 2015 was \$10,357 and \$9,992, respectively.

Note 6 - Related Party

In 2016, a receivable balance due from the National Reined Cow Horse Foundation in the amount of \$767. For 2015, an amount is payable to the National Reined Cow Horse Foundation in the amount of \$795.

**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>2016</u>	<u>2015</u>
Additions:		
Donations	2,030	489
Fundraisers	5,200	3,517
Other Receipts	600	-
Total additions	<u>7,830</u>	<u>4,006</u>
Deductions:		
Member approved Distributions	(6,593)	(5,059)
Fundraiser expenses	(828)	(575)
Total deductions	<u>(7,421)</u>	<u>(5,634)</u>
Change in Balance	409	(1,628)
Balance in Agency Funds, Beginning of year	<u>26,613</u>	<u>28,241</u>
Balance in Agency Funds, End of year	<u><u>27,022</u></u>	<u><u>26,613</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.

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

Note 8 – Incentive Program Deferred Income (continued)

**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.

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, 2016:

	<u>2 Yr Sale</u>	<u>Yearling Purse</u>	<u>Auction</u>	<u>Total</u>
Balance of funds, beginning of year	21,575	23,500	57,668	102,743
Program Receipts	25,370	12,750	62,933	101,053
Program Disbursements	(30,000)	(9,500)	(57,607)	(97,107)
Balance of funds, end of year	<u>16,945</u>	<u>26,750</u>	<u>62,994</u>	<u>106,689</u>

The following is a summary of activity of the Incentive Programs for the years ended December 31, 2015:

	<u>2 Yr Sale</u>	<u>Yearling Purse</u>	<u>Auction</u>	<u>Total</u>
Balance of funds, beginning of year	17,350	19,250	52,371	88,971
Program Receipts	34,225	14,000	114,107	162,332
Program Disbursements	(30,000)	(9,750)	(108,810)	(148,560)
Balance of funds, end of year	<u>21,575</u>	<u>23,500</u>	<u>57,668</u>	<u>102,743</u>

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

Note 8 – Incentive Program Deferred Income (continued)

***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><b>2016</b></u>	<u><b>2015</b></u>
Balance of fund, Beginning of year	344,400	345,850
Program Receipts	113,250	135,500
Program Disbursements	<u>(112,700)</u>	<u>(136,950)</u>
Balance of Fund, end of year	<u><u>344,950</u></u>	<u><u>344,400</u></u>

Of these balances \$79,450 and \$87,200 are considered current liabilities for 2016 and 2015, respectively.