

National Reined Cow Horse Association
Financial Statements
Year-End December 31, 2021 and 2020

NATIONAL REINED COW HORSE ASSOCIATION

2021 BOARD OF DIRECTORS

Corey Cushing	President
Paul Bailey	Vice President
Todd Crawford	Secretary
Trey Neal	Treasurer
Todd Bergen	Executive Committee
Joe Carter	Board Member
Boyd Rice	Board Member
Diane Edwards	Board Member
Amanda Gardiner	Board Member
Dan Roeser	Board Member
Jon Roeser	Board Member
Jake Telford	Board Member
Cayley Wilson	Board Member
Frank Prisco	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, 2021 and 2020, 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.

We are required to be independent of National Reined Cow Horse Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our review.

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 Willis, PLLC

Ardmore, Oklahoma
November 9, 2022

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 2,057,998	\$ 1,349,049
Investments	1,612,259	1,559,397
Accounts Receivable, Net	843,472	822,756
Prepaid Expenses	65,377	53,510
Property and Equipment, net of accumulated depreciation	747,316	766,531
 Total Assets	 \$ 5,326,422	 \$ 4,551,243
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 92,555	\$ 178,892
Refundable Deposits	48,936	44,668
Event Incentives and Subscription Deferred Income	192,798	215,202
Current Portion of Stallion Subscription	78,750	92,450
Membership and Sponsorship Deferred Income	220,720	170,170
 Total Current Liabilities	 633,759	 701,382
Long Term Liabilities:		
Stallion Subscription Deferred Income	378,300	336,050
 Total Liabilities	 1,012,059	 1,037,432
 Net Assets - Unrestricted	 4,314,363	 3,513,811
 Total Liabilities and Net Assets	 \$ 5,326,422	 \$ 4,551,243

See accompanying notes and independent accountant's review report

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

	For the Years Ended	
	December 31,	
	<u>2021</u>	<u>2020</u>
UNRESTRICTED NET ASSETS		
Unrestricted Revenue and Support:		
Sponsored Events	\$ 9,411,183	\$ 8,433,438
Memberships	215,481	201,643
Cow Horse News	145,326	80,608
Other General	364,557	346,029
Investment Income	56,550	62,014
Total Unrestricted Revenue and Support	<u>10,193,097</u>	<u>9,123,732</u>
Expenses:		
Program Services		
Sponsored events	8,176,570	7,007,581
Cow Horse News	121,278	90,069
Supporting Services	1,094,697	947,201
Total Expenses	<u>9,392,545</u>	<u>8,044,851</u>
Net Change in Unrestricted Net Assets	800,552	1,078,881
Net Assets - Unrestricted, Beginning of Year	3,513,811	2,434,930
Net Assets - Unrestricted, End of Year	<u>\$ 4,314,363</u>	<u>\$ 3,513,811</u>

See accompanying notes and independent accountant's review report

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Cash Flows

	For the Years Ended December 31,	
	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 800,552	\$ 1,078,881
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	27,682	24,118
Unrealized (Gains)/Losses on Investment	(18,734)	(27,459)
(Increase) decrease in:		
Accounts Receivable	(20,716)	(307,196)
Prepaid Expenses	(11,867)	3,413
Increase (decrease) in:		
Accounts Payable	(86,337)	116,311
Deferred Revenue	56,696	67,575
	<u>\$ 747,276</u>	<u>\$ 955,643</u>
Cash Flows from Investing Activities:		
Decrease (Increase) in Deposit	4,268	(9,212)
Purchase of Fixed Assets	(8,467)	(25,127)
Purchase of Mutual Fund Investment	(34,128)	19,978
	<u>\$ (38,327)</u>	<u>\$ (14,361)</u>
Net Cash Flows Used in Investing Activities		
Increase (decrease) in cash and equivalents	708,949	941,282
Cash and cash equivalents, beginning of year	1,349,049	407,767
Cash and cash equivalents, end of year	<u>\$ 2,057,998</u>	<u>\$ 1,349,049</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, 2021

December 31, 2021

	<u>Program Expenses</u>			<u>Total</u>
	<u>Sponsored Events</u>	<u>Cow Horse News</u>	<u>Support Services</u>	
Arena/Facility Expenses	\$ 117,971	\$ -	\$ -	\$ 117,971
Arena/Facility Rental	522,965	-	-	522,965
Awards	304,737	-	-	304,737
Bad Debt	-	-	3,220	3,220
Bank & Credit Card Charges	-	-	69,793	69,793
Banquet	3,977	-	-	3,977
Cattle Expenses	661,875	-	-	661,875
Depreciation Expense	-	-	27,682	27,682
Dues and Subscriptions	-	-	1,958	1,958
Insurance	-	-	58,869	58,869
Judging Fees	308,369	-	-	308,369
Layout and Design	1,722	-	3,704	5,426
Legal Fees/Consulting	6,500	-	95,700	102,200
Licenses & Permits	450	-	-	450
Magazine Expenses	-	121,278	-	121,278
Marketing & Retainers	10,173	-	18,099	28,272
Miscellaneous Expenses	2,296	-	31,052	33,348
Office Supplies	-	-	8,802	8,802
Payroll and Taxes	-	-	585,263	585,263
Postage	508	-	24,397	24,905
Printing and Reproduction	8,998	-	16,163	25,161
Professional Fees	-	-	72,474	72,474
Rent	-	-	1,370	1,370
Repairs & Maintenance	-	-	10,526	10,526
Show Expense	497,118	-	-	497,118
Show Labor	381,544	-	-	381,544
Signs & Banners	49,433	-	1,118	50,551
Sponsor Supplies & Expense	61,697	-	-	61,697
Stalls Expenses	159,318	-	-	159,318
Telephone	-	-	10,091	10,091
Travel & Entertainment	387,780	-	27,120	414,900
Utilities	7,387	-	6,464	13,851
Net Video (Income) Expense	(17,403)	-	1,000	(16,403)
Website Design & Maintenance	195	-	19,832	20,027
Winnings Paid Out	4,698,960	-	-	4,698,960
	<u>\$ 8,176,570</u>	<u>\$ 121,278</u>	<u>\$ 1,094,697</u>	<u>\$ 9,392,545</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, 2020

December 31, 2020

	<u>Program Expenses</u>			<u>Total</u>
	<u>Sponsored Events</u>	<u>Cow Horse News</u>	<u>Support Services</u>	
Arena/Facility Expenses	\$ 83,092	\$ -	\$ -	\$ 83,092
Arena/Facility Rental	468,108	-	-	468,108
Awards	284,137	-	-	284,137
Bad Debt	-	-	3,565	3,565
Bank & Credit Card Charges	-	-	55,618	55,618
Banquet	28,298	-	-	28,298
Cattle Expenses	565,344	-	-	565,344
Depreciation Expense	-	-	24,118	24,118
Donations	-	-	55,000	55,000
Dues and Subscriptions	-	-	1,070	1,070
Equipment Rental	-	-	541	541
Insurance	-	-	49,723	49,723
Judging Fees	231,100	-	-	231,100
Layout and Design	959	-	1,421	2,380
Legal Fees/Consulting	27,250	-	59,511	86,761
Licenses & Permits	450	-	170	620
Magazine Expenses	-	90,069	-	90,069
Marketing & Retainers	-	-	17,284	17,284
Miscellaneous Expenses	10,326	-	22,144	32,470
Office Supplies	-	-	17,272	17,272
Payroll and Taxes	-	-	443,542	443,542
Postage	216	-	17,412	17,628
Printing and Reproduction	1,442	-	20,135	21,577
Professional Fees	-	-	51,164	51,164
Rent	-	-	4,004	4,004
Repairs & Maintenance	-	-	30,151	30,151
Show Expense	282,398	-	-	282,398
Show Labor	279,860	-	-	279,860
Signs & Banners	26,433	-	-	26,433
Sponsor Supplies & Expense	61,633	-	-	61,633
Stalls Expenses	133,887	-	-	133,887
Telephone	-	-	9,602	9,602
Travel & Entertainment	279,087	-	11,073	290,160
Utilities	21,420	-	6,216	27,636
Net Video (Income) Expense	(17,053)	-	200	(16,853)
Website Design & Maintenance	325	-	7,765	8,090
Winnings Paid Out	4,274,869	-	2,500	4,277,369
	<u>\$ 7,043,581</u>	<u>\$ 90,069</u>	<u>\$ 911,201</u>	<u>\$ 8,044,851</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 99 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:

Without donor restrictions net assets – Net assets not subject to donor-imposed stipulations. Revenues are reported as increases in without donor restrictions net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as increases or decreases in without donor restrictions net assets. Gains and losses on assets or liabilities are reported as increases or decreases in without donor restrictions net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of with donor 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 without donor restrictions.

With donor restrictions 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 with donor imposed restrictions as of December 31, 2021 and 2020.

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, 2021 and 2020.

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 \$2,057,998 at December 31, 2021 and \$1,349,049 in cash equivalents at December 31, 2020.

Investments – Investments consist of money market and mutual funds invested in bonds. Investment income from all investments is reinvested throughout the year. Components of investment income are presented below:

	2021	2020
Interest & Dividend Income	\$ 28,916	\$ 39,219
Investment Expenses	(5,529)	(4,686)
Unrealized Gain (Loss)	18,734	27,459
Realized Gain (Loss)	14,429	22
	\$ 56,550	\$ 62,014

Investments at December 31, 2021 were as follows:

	Cost	Fair Value
Mutual Funds	\$ 1,568,793	\$ 1,601,983

Fair values of assets measured on a recurring basis at December 31, 2021, are as follows

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2021				
Mutual Funds	\$ 1,601,983	\$ 1,601,983	\$ -	\$ -

Level 1 investments are quoted prices in active markets that can be accessed at the measurement date.

Accounts Receivable - Accounts receivable represent amounts due for various events, advertising and sponsorship. Amounts are past due when not paid after 30 days. Credit is suspended when unpaid receivables are 60 days past due.

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.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 2018, 2019 and 2020 are subject to examination by the IRS generally for 3 years after they are filed.

Subsequent Events - Management has evaluated subsequent events through November 9, 2022, the date the financial statements were available and issued.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

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 \$1,324,988 at December 31, 2021 and \$808,892 at December 31, 2020. The Association maintains its cash with a high-quality financial institution which the Association believes limits these risks.

Note 4 - Accounts Receivable

Amounts consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 883,029	\$ 854,313
Allowance for Doubtful Accounts	(39,557)	(31,557)
Accounts receivable, Net	<u>\$ 843,472</u>	<u>\$ 822,756</u>

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was \$3,220 for 2021 and \$3,565 for 2020.

Note 5 - Depreciable Assets

A summary of depreciable assets at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Computers & Equipment	\$ 49,334	\$ 40,867
Furniture & Fixtures	55,842	55,842
Building	762,251	762,251
Machinery and Equipment	6,113	6,113
Vehicles	9,001	9,001
Total Depreciable Assets	<u>\$ 882,541</u>	<u>\$ 874,074</u>
Less: Accumulated Depreciation	<u>(135,225)</u>	<u>(107,543)</u>
Property and Equipment, net	<u>\$ 747,316</u>	<u>\$ 766,531</u>

Depreciation expense for 2021 and 2020 was \$27,682 and \$24,118, respectively.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 6 - Related Party

On December 31, 2021 and 2020, there were amounts payable to the National Reined Cow Horse Foundation in the amount of \$64,798 and 56,305, respectively.

Donations for the National Reined Cow Horse Foundation are made to the National Reined Cow Horse Association, who then transfers the money to the Foundation. Current year activity in the payable account is as follows:

December 31, 2020 Payable Balance	\$	56,305
Foundation Donations Received		69,845
Donations Paid to Foundation		<u>(61,352)</u>
December 31, 2022 Payable Balance	\$	<u>64,798</u>

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>2021</u>	<u>2020</u>
Additions:		
Donations	\$ 1,385	\$ 205
Fundraisers	3,025	-
Other Receipts	<u>12,000</u>	<u>-</u>
Total additions	<u>16,410</u>	<u>205</u>
Deductions:		
Member approved Distributions	(12,142)	(8,212)
Fundraiser expenses	<u>-</u>	<u>(3,205)</u>
Total deductions	<u>(12,142)</u>	<u>(11,417)</u>
Change in Balance	4,268	(11,212)
Balance in Agency Funds, Beginning of year	<u>44,668</u>	<u>55,880</u>
Balance in Agency Funds, End of year	<u>\$ 48,936</u>	<u>\$ 44,668</u>

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 8 – Incentive Program Deferred Income

NRCHA has the following incentive programs:

Western Bloodstock NRCHA Sale Incentive Purse - Beginning in 2017, all weanlings, yearlings and two year-olds sold at NRCHA Snaffle Bit Futurity Sales are eligible to participate in the new NRCHA Western Bloodstock NRCHA Sale Incentive Program with purse payouts beginning in 2019. Annual purse will consist of NRCHA \$25,000 added money, buyer nomination fees and sale repurchase fees. The buyer nomination fees will be the following amounts:

Weanlings:	\$ 400 (purse for year of competition)
Yearlings:	\$ 400 (purse for year of competition)
2 Year-Olds:	\$1,000 (purse for year of competition)
3 Year-Olds:	\$5,000 (purse for year of competition)

The Western Bloodstock NRCHA Sale Incentive Purse is paid to the four highest advancing eligible foals in the Open and Non Pro classes of the NRCHA Snaffle Bit Futurity in the year of competition.

The Auction Incentive Purse – Each year stallion owners donate stallion breedings to be auctioned in a silent auction. Of the proceeds, after taking out a 10% administration fee, 10% of the auction proceeds are held in the stallion incentive fund, 70% is allocated to the open futurity and 30% is allocated to the Non-Pro futurity. If any foal of stallion that donated a breeding wins the Open or Non-Pro futurity at the Snaffle Bit Futurity three years after the foal year of the breeding, that winner receives the total purse due to be paid at that time. If there is no winner in any year, that year's incentive is carried over until there is a winner.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 8 – Incentive Program Deferred Income (continued)

The following is a summary of activity of the Incentive Programs for the years ended December 31, 2021:

	2021		
	New Sale Incentive Program	Auction	Total
Balance of funds, beginning of year	\$ 141,100	\$ 41,702	\$ 182,802
Program Receipts	83,850	109,677	193,527
Program Disbursements	(102,050)	(106,426)	(208,476)
Balance of funds, end of year	\$ 122,900	\$ 44,953	\$ 167,853
Short-Term	\$ 78,750	\$ 44,953	
Long-Term	\$ 44,150		

The following is a summary of activity of the Incentive Programs for the years ended December 31, 2020:

	2020		
	New Sale Incentive Program	Auction	Total
Balance of funds, beginning of year	\$ 115,600	\$ 32,308	\$ 147,908
Program Receipts	104,850	108,044	212,894
Program Disbursements	(79,350)	(98,650)	(178,000)
Balance of funds, end of year	\$ 141,100	\$ 41,702	\$ 182,802
Short-Term	\$ 77,050	\$ 41,702	
Long-Term	\$ 64,050		

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.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 8 – Incentive Program Deferred Income (continued)

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

<u>Stallion Subscriptions</u>	<u>2021</u>	<u>2020</u>
Balance of fund, Beginning of year	\$ 428,500	\$ 447,400
Program Receipts	161,900	91,950
Program Disbursements	<u>(133,350)</u>	<u>(110,850)</u>
Balance of Fund, end of year	<u>\$ 457,050</u>	<u>\$ 428,500</u>

Of these balances \$78,750 and \$92,450 are considered current liabilities for 2021 and 2020, respectively.