

National Reined Cow Horse Association
Financial Statements
Year-End December 31, 2022 and 2021

NATIONAL REINED COW HORSE ASSOCIATION

2022 BOARD OF DIRECTORS

Corey Cushing	President
Paul Bailey	Vice President
Todd Crawford	Secretary
Trey Neal	Treasurer
Todd Bergen	Executive Committee
Joe Carter	Executive Committee
Boyd Rice	Executive Committee
Diane Edwards	Board Member
Amanda Gardiner	Board Member
Dan Roeser	Board Member
Jon Roeser	Board Member
Jake Telford	Board Member
Cayley Wilson	Board Member
Ben Baldus	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, 2022 and 2021, 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
October 31, 2023

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 3,453,066	\$ 2,057,998
Investments	1,534,281	1,612,259
Accounts Receivable, Net	891,834	843,472
Prepaid Expenses	38,551	65,377
Property and Equipment, net of accumulated depreciation	721,359	747,316
 Total Assets	 \$ 6,639,091	 \$ 5,326,422
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 510,676	\$ 92,555
Refundable Deposits	65,621	48,936
Event Incentives and Subscription Deferred Income	198,939	192,798
Current Portion of Stallion Subscription	101,700	78,750
Membership and Sponsorship Deferred Income	295,248	220,720
 Total Current Liabilities	 1,172,184	 633,759
Long Term Liabilities:		
Stallion Subscription Deferred Income	428,182	378,300
 Total Liabilities	 1,600,366	 1,012,059
 Net Assets - Unrestricted	 5,038,725	 4,314,363
 Total Liabilities and Net Assets	 \$ 6,639,091	 \$ 5,326,422

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,	
	2022	2021
UNRESTRICTED NET ASSETS		
Unrestricted Revenue and Support:		
Sponsored Events	\$ 11,280,704	\$ 9,411,183
Memberships	242,482	215,481
Cow Horse News	104,167	145,326
Other General	452,169	364,557
Investment Income	(74,268)	56,550
Total Unrestricted Revenue and Support	12,005,254	10,193,097
Expenses:		
Program Services		
Sponsored events	9,893,525	8,176,570
Cow Horse News	109,786	121,278
Supporting Services	1,277,581	1,094,697
Total Expenses	11,280,892	9,392,545
Net Change in Unrestricted Net Assets	724,362	800,552
Net Assets - Unrestricted, Beginning of Year	4,314,363	3,513,811
Net Assets - Unrestricted, End of Year	\$ 5,038,725	\$ 4,314,363

See accompanying notes and independent accountant's review report.

NATIONAL REINED COW HORSE ASSOCIATION
Statements of Cash Flows

	For the Years Ended December 31,	
	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 724,362	\$ 800,552
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	25,957	27,682
Unrealized (Gains)/Losses on Investment	124,100	(18,734)
(Increase) decrease in:		
Accounts Receivable	(48,362)	(20,716)
Prepaid Expenses	26,826	(11,867)
Increase (decrease) in:		
Accounts Payable	418,121	(86,337)
Deferred Revenue	153,501	56,696
	<u>\$ 1,424,505</u>	<u>\$ 747,276</u>
Cash Flows from Investing Activities:		
Decrease (Increase) in Deposit	16,685	4,268
Purchase of Fixed Assets	-	(8,467)
Purchase of Mutual Fund Investment	(46,122)	(34,128)
	<u>\$ (29,437)</u>	<u>\$ (38,327)</u>
Increase (decrease) in cash and equivalents	1,395,068	708,949
Cash and cash equivalents, beginning of year	2,057,998	1,349,049
Cash and cash equivalents, end of year	<u>\$ 3,453,066</u>	<u>\$ 2,057,998</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, 2022

December 31, 2022

	<u>Program Expenses</u>			<u>Total</u>
	<u>Sponsored Events</u>	<u>Cow Horse News</u>	<u>Support Services</u>	
Arena/Facility Expenses	\$ 175,191	\$ -	\$ -	\$ 175,191
Arena/Facility Rental	540,677	-	-	540,677
Awards	413,522	-	-	413,522
Bad Debt	-	-	12,208	12,208
Bank & Credit Card Charges	-	-	120,776	120,776
Banquet	74,102	-	-	74,102
Cattle Expenses	975,233	-	-	975,233
Depreciation Expense	-	-	25,957	25,957
Dues and Subscriptions	-	-	1,259	1,259
Equipment Rental	-	-	221	221
Insurance	-	-	50,742	50,742
Judging Fees	355,429	-	-	355,429
Layout and Design	4,859	-	3,514	8,373
Legal Fees/Consulting	17,500	-	73,369	90,869
Licenses & Permits	450	-	(1,900)	(1,450)
Magazine Expenses	-	109,786	-	109,786
Marketing & Retainers	-	-	10,202	10,202
Miscellaneous Expenses	32,302	-	50,328	82,630
Office Supplies	-	-	4,214	4,214
Payroll and Taxes	-	-	668,083	668,083
Postage	777	-	36,860	37,637
Printing and Reproduction	1,386	-	11,689	13,075
Professional Fees	-	-	91,557	91,557
Repairs & Maintenance	-	-	10,904	10,904
Show Expense	564,938	-	-	564,938
Show Labor	408,246	-	-	408,246
Signs & Banners	91,025	-	11,904	102,929
Sponsor Supplies & Expense	74,464	-	-	74,464
Stalls Expenses	174,069	-	-	174,069
Telephone	-	-	8,838	8,838
Travel & Entertainment	538,962	-	46,038	585,000
Utilities	11,843	-	6,359	18,202
Net Video (Income) Expense	(63,087)	-	3,532	(59,555)
Website Design & Maintenance	687	-	30,927	31,614
Winnings Paid Out	5,500,950	-	-	5,500,950
	<u>\$ 9,893,525</u>	<u>\$ 109,786</u>	<u>\$ 1,277,581</u>	<u>\$ 11,280,892</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
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, 2022 and 2021.

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, 2022 and 2021.

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 \$3,453,066 at December 31, 2022 and \$2,057,998 in cash equivalents at December 31, 2021.

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:

	2022	2021
Interest & Dividend Income	\$ 44,957	\$ 28,916
Investment Expenses	(5,438)	(5,529)
Unrealized Gain (Loss)	(124,100)	18,734
Realized Gain (Loss)	10,313	14,429
	\$ (74,268)	\$ 56,550

Investments at December 31, 2022 were as follows:

	Cost	Fair Value
Mutual Funds	\$ 1,572,388	\$ 1,490,278

Fair values of assets measured on a recurring basis at December 31, 2022, are as follows

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2021				
Mutual Funds	\$ 1,490,278	\$ 1,490,278	\$ -	\$ -

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 2019, 2020 and 2021 are subject to examination by the IRS generally for 3 years after they are filed.

Subsequent Events - Management has evaluated subsequent events through October 31, 2023, 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 \$2,546,767 at December 31, 2022 and \$1,324,988 at December 31, 2021. 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>2022</u>	<u>2021</u>
Accounts Receivable	\$ 931,391	\$ 883,029
Allowance for Doubtful Accounts	(39,557)	(39,557)
Accounts receivable, Net	<u>\$ 891,834</u>	<u>\$ 843,472</u>

Allowance for doubtful accounts consist of receivables deemed uncollectible. Bad debt expense was \$12,208 for 2022 and \$3,220 for 2021.

Note 5 - Depreciable Assets

A summary of depreciable assets at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Computers & Equipment	\$ 49,334	\$ 49,334
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>\$ 882,541</u>
Less: Accumulated Depreciation	<u>(161,182)</u>	<u>(135,225)</u>
Property and Equipment, net	<u>\$ 721,359</u>	<u>\$ 747,316</u>

Depreciation expense for 2022 and 2021 was \$25,957 and \$27,682, respectively.

NATIONAL REINED COW HORSE ASSOCIATION
Notes to the Financial Statements

Note 6 - Related Party

On December 31, 2022 and 2021, there were amounts payable to the National Reined Cow Horse Foundation in the amount of \$19,526 and \$64,798, 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, 2021 Payable Balance	\$ 64,798
Foundation Donations Received	19,526
Donations Paid to Foundation	<u>(64,798)</u>
December 31, 2022 Payable Balance	<u>\$ 19,526</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>2022</u>	<u>2021</u>
Additions:		
Donations	\$ 13,802	\$ 1,385
Fundraisers	13,765	3,025
Other Receipts	<u>2,900</u>	<u>12,000</u>
Total additions	<u>30,467</u>	<u>16,410</u>
Deductions:		
Member approved Distributions	(10,882)	(12,142)
Fundraiser expenses	<u>(2,900)</u>	<u>-</u>
Total deductions	<u>(13,782)</u>	<u>(12,142)</u>
Change in Balance	16,685	4,268
Balance in Agency Funds, Beginning of year	<u>48,936</u>	<u>44,668</u>
Balance in Agency Funds, End of year	<u>\$ 65,621</u>	<u>\$ 48,936</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, 2022:

	2022		
	New Sale Incentive Program	Auction	Total
Balance of funds, beginning of year	\$ 122,900	\$ 44,953	\$ 167,853
Program Receipts	83,550	64,821	148,371
Program Disbursements	(101,050)	(56,225)	(157,275)
Balance of funds, end of year	\$ 105,400	\$ 53,549	\$ 158,949
Short-Term	\$ 56,450	\$ 53,549	
Long-Term	\$ 48,950		

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		

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>2022</u>	<u>2021</u>
Balance of fund, Beginning of year	\$ 457,050	\$ 428,500
Program Receipts	197,482	161,900
Program Disbursements	<u>(124,650)</u>	<u>(133,350)</u>
Balance of Fund, end of year	<u>\$ 529,882</u>	<u>\$ 457,050</u>

Of these balances \$101,700 and \$78,750 are considered current liabilities for 2022 and 2021, respectively.