

**PACIFIC COAST CUTTING  
HORSE ASSOCIATION  
CALIFORNIA**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007**

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**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
(A NON PROFIT ORGANIZATION)  
YEARS ENDED DECEMBER 31, 2008 AND 2007

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## ACCOUNTANTS' REPORT

To the Board of Directors  
Pacific Coast Cutting Horse Association  
Lockeford, California

We have compiled the accompanying statements of financial position of Pacific Coast Cutting Horse Association (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The 2007 financial statements of Pacific Coast Cutting Horse Association were compiled by other accountants, whose report dated May 7, 2008, stated that they did not express an opinion or any other form of assurance on those financial statements.

We are not independent with respect to Pacific Coast Cutting Horse Association.

A handwritten signature in cursive script that reads "Smith & Newell".

Smith & Newell, CPAs  
Yuba City, California  
April 21, 2009

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008 AND 2007**

|                                           | <u>2008</u>         | <u>2007</u>         |
|-------------------------------------------|---------------------|---------------------|
| <b><u>ASSETS</u></b>                      |                     |                     |
| <b>Current Assets</b>                     |                     |                     |
| Cash and investments                      | \$ 595,803          | \$ 555,712          |
| Accounts receivable                       | 40,355              | 30,904              |
| Inventory                                 | -                   | 2,309               |
| Prepaid costs                             | 9,477               | 11,304              |
|                                           | <u>645,635</u>      | <u>600,229</u>      |
| <b>Total Current Assets</b>               | 645,635             | 600,229             |
| <b>Long Term Assets</b>                   |                     |                     |
| Land                                      | 85,549              | 85,549              |
| Equipment                                 | 68,176              | 64,631              |
| Buildings                                 | 441,683             | 441,683             |
| Accumulated depreciation                  | (103,230)           | (92,561)            |
|                                           | <u>\$ 1,137,813</u> | <u>\$ 1,099,531</u> |
| <b>Total Assets</b>                       | <u>\$ 1,137,813</u> | <u>\$ 1,099,531</u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>  |                     |                     |
| <b>Current Liabilities</b>                |                     |                     |
| Accounts payable                          | \$ 94,286           | \$ 61,760           |
| Sales tax payable                         | 211                 | 345                 |
| Accrued liabilities                       | 2,784               | 5,585               |
| Due to PCCHA Youth fund                   | 182                 | 1,745               |
| Unearned revenue - current portion        | 212,822             | 166,640             |
| Note payable - current portion            | 4,685               | 4,398               |
|                                           | <u>314,970</u>      | <u>240,473</u>      |
| <b>Total Current Liabilities</b>          | 314,970             | 240,473             |
| Unearned revenue - net of current portion | 123,250             | 149,000             |
| Note payable - net of current portion     | 333,680             | 337,958             |
|                                           | <u>771,900</u>      | <u>727,431</u>      |
| <b>Total Liabilities</b>                  | <u>771,900</u>      | <u>727,431</u>      |
| <b>Net Assets</b>                         |                     |                     |
| Unrestricted:                             |                     |                     |
| Operations                                | 365,913             | 372,100             |
|                                           | <u>365,913</u>      | <u>372,100</u>      |
| <b>Total Net Assets</b>                   | <u>365,913</u>      | <u>372,100</u>      |
| <b>Total Liabilities and Net Assets</b>   | <u>\$ 1,137,813</u> | <u>\$ 1,099,531</u> |

See accompanying notes and accountants' report.

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NON PROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

|                                                 | <u>2008</u>       | <u>2007</u>       |
|-------------------------------------------------|-------------------|-------------------|
| <b><u>REVENUE</u></b>                           |                   |                   |
| Administration income                           | 46,858            | 32,638            |
| Arena Signage                                   | 3,000             | 8,500             |
| Auction income                                  | 4,576             | 10,020            |
| Banquet income                                  | 13,090            | 18,432            |
| Contributions                                   | -                 | 25,000            |
| Vendor income                                   | 15,300            | 19,800            |
| Dues                                            | 52,620            | 70,927            |
| Entry fees                                      | 1,910,475         | 1,991,594         |
| Other fees                                      | 375,745           | 405,638           |
| Horse sales                                     | 39,909            | -                 |
| Merchandise sales                               | 5,933             | 6,109             |
| Miscellaneous income                            | 21,488            | 20,009            |
| Practice income                                 | 168,450           | 162,165           |
| RV space rental income                          | 24,230            | 23,505            |
| Special mailings                                | 42,717            | 91,374            |
| Sponsor income                                  | 266,439           | 198,394           |
| Youth club                                      | -                 | 2,359             |
| <b>Total Revenue</b>                            | <u>2,990,830</u>  | <u>3,086,464</u>  |
| <b><u>EXPENSES</u></b>                          |                   |                   |
| <b>Program services</b>                         |                   |                   |
| Derby, classic/challenge                        | 679,838           | 714,842           |
| Cutting/gelding stakes                          | 1,531,249         | 1,510,529         |
| Summer circuit                                  | 199,051           | 207,475           |
| Horse auction                                   | 35,108            | -                 |
| Youth club                                      | 4,477             | 5,426             |
| <b>Total Program Services</b>                   | <u>2,449,723</u>  | <u>2,438,272</u>  |
| <b>Support services</b>                         |                   |                   |
| Awards expense                                  | 64,533            | 55,811            |
| Cutter subscription fees                        | 62,890            | 116,813           |
| Depreciation                                    | 14,439            | 13,727            |
| Insurance                                       | 14,898            | 15,558            |
| Interest expense                                | 24,177            | 24,306            |
| Professional fees                               | 21,881            | 16,877            |
| Other administration expenses                   | 111,311           | 92,534            |
| Salaries and benefits                           | 220,887           | 225,964           |
| <b>Total Support Services</b>                   | <u>535,016</u>    | <u>561,590</u>    |
| <b>Total Operating Expenses</b>                 | <u>2,984,739</u>  | <u>2,999,862</u>  |
| <b>Operating Income (Loss)</b>                  | 6,091             | 86,602            |
| <b>Non Operating Revenues (Expenses)</b>        |                   |                   |
| Interest income                                 | 17,798            | 21,624            |
| Sale of assets                                  | -                 | 2,212             |
| Transfer to PCCHA Youth Fund                    | (5,376)           | -                 |
| <b>Change in Net Assets</b>                     | <u>18,513</u>     | <u>110,438</u>    |
| <b>Net Assets - Beginning of Year</b>           | 372,100           | 261,662           |
| Prior Period Adjustment                         | (24,700)          | -                 |
| <b>Net Assets - Beginning of Year, Restated</b> | <u>347,400</u>    | <u>261,662</u>    |
| <b>Net Assets - End of Year</b>                 | <u>\$ 365,913</u> | <u>\$ 372,100</u> |

See accompanying notes and accountants' report.

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

|                        | Program Services  |                               |                   |                  |               |
|------------------------|-------------------|-------------------------------|-------------------|------------------|---------------|
|                        | Derby<br>CL/CH    | Cutting/<br>Gelding<br>Stakes | Summer<br>Circuit | Horse<br>Auction | Youth<br>Club |
| <b>Revenues</b>        |                   |                               |                   |                  |               |
| Administration income  | -                 | -                             | -                 | -                | -             |
| Arena Signage          | 1,000             | 1,000                         | 1,000             | -                | -             |
| Auction income         | 4,576             | -                             | -                 | -                | -             |
| Banquet income         | 13,040            | -                             | 50                | -                | -             |
| Contributions          | -                 | -                             | -                 | -                | -             |
| Vendor income          | 6,000             | 9,300                         | -                 | -                | -             |
| Dues                   | -                 | -                             | -                 | -                | -             |
| Entry fees             | 503,809           | 1,255,205                     | 151,461           | -                | -             |
| Other fees             | 77,613            | 172,808                       | 27,920            | -                | -             |
| Horse sales            | -                 | -                             | -                 | 39,909           | -             |
| Merchandise sales      | -                 | -                             | -                 | -                | -             |
| Miscellaneous income   | 1,757             | 2,875                         | 2,030             | -                | -             |
| Practice income        | 55,045            | 109,355                       | 4,050             | -                | -             |
| RV space rental income | 8,090             | 16,140                        | -                 | -                | -             |
| Special mailings       | -                 | -                             | -                 | -                | -             |
| Sponsor income         | 40,850            | 151,200                       | 33,489            | -                | -             |
| Youth club             | -                 | -                             | -                 | -                | -             |
| <b>Total Revenues</b>  | <b>711,780.00</b> | <b>1,717,883</b>              | <b>220,000</b>    | <b>39,909</b>    | <b>-</b>      |
| <b>Expenses</b>        |                   |                               |                   |                  |               |
| Advertising            | 865               | 22,676                        | 283               | -                | -             |
| Arena sand             | 3,276             | 9,639                         | 851               | -                | -             |
| Arena signage          | 1,293             | 1,393                         | 421               | -                | -             |
| Awards expense         | 18,266            | 45,353                        | 4,110             | -                | -             |
| Bad debt               | -                 | -                             | -                 | -                | -             |
| Bank charges           | -                 | -                             | -                 | -                | 4,477         |
| Banquet                | 14,204            | -                             | -                 | -                | -             |
| Booth supplies         | -                 | -                             | -                 | -                | -             |
| Business licenses      | -                 | -                             | -                 | -                | -             |
| Cattle contracts       | 109,646           | 222,381                       | 58,221            | -                | -             |
| Cattle hay expense     | 7,933             | 27,987                        | 6,432             | -                | -             |
| Contract labor         | 616               | 4,662                         | -                 | -                | -             |
| Cutter subscription    | -                 | -                             | -                 | -                | -             |
| Depreciation           | -                 | -                             | -                 | -                | -             |
| Drug assessments       | 1,680             | 2,880                         | 1,060             | -                | -             |
| Dues and subscriptions | -                 | -                             | -                 | -                | -             |
| Employee training      | -                 | -                             | -                 | -                | -             |
| Equipment rent         | 16,164            | 21,452                        | 2,360             | -                | -             |
| Facility rent/setup    | 31,942            | 46,373                        | 12,600            | -                | -             |
| Horse sale expense     | -                 | -                             | -                 | 35,108           | -             |
| Insurance              | -                 | -                             | -                 | -                | -             |
| Interest expense       | -                 | -                             | -                 | -                | -             |
| Janitorial             | -                 | -                             | -                 | -                | -             |
| Judges/escort fees     | 29,524            | 61,943                        | 3,810             | -                | -             |
| Meeting expense        | -                 | -                             | -                 | -                | -             |
| Merchandise            | -                 | -                             | -                 | -                | -             |
| NCHA fees              | 3,134             | 4,440                         | 4,859             | -                | -             |
| Office expense         | 4,717             | 4,663                         | -                 | -                | -             |
| Other expenses         | -                 | -                             | -                 | -                | -             |
| <b>Subtotal</b>        | <b>243,260</b>    | <b>475,842</b>                | <b>95,007</b>     | <b>35,108</b>    | <b>4,477</b>  |

See accompanying notes and accountants' report.

| <b>Support Services</b> |                   |                   |
|-------------------------|-------------------|-------------------|
| <b>Admin</b>            | <b>Total 2008</b> | <b>Total 2007</b> |
| 46,858                  | 46,858            | 32,638            |
| -                       | 3,000             | 8,500             |
| -                       | 4,576             | 10,020            |
| -                       | 13,090            | 18,432            |
| -                       | -                 | 25,000            |
| -                       | 15,300            | 19,800            |
| 52,620                  | 52,620            | 70,927            |
| -                       | 1,910,475         | 1,991,594         |
| 97,404                  | 375,745           | 405,638           |
| -                       | 39,909            | -                 |
| 5,933                   | 5,933             | 6,109             |
| 14,826                  | 21,488            | 20,009            |
| -                       | 168,450           | 162,165           |
| -                       | 24,230            | 23,505            |
| 42,717                  | 42,717            | 91,374            |
| 40,900                  | 266,439           | 198,394           |
| -                       | -                 | 2,359             |
| 301,258                 | 2,990,830         | 3,086,464         |
| 4,261                   | 28,085            | 27,201            |
| -                       | 13,766            | 28,387            |
| -                       | 3,107             | 4,046             |
| 64,533                  | 132,262           | 98,248            |
| 992                     | 992               | 1,322             |
| 8,630                   | 13,107            | 9,859             |
| 5,000                   | 19,204            | 27,073            |
| -                       | -                 | 2,879             |
| 15                      | 15                | 70                |
| -                       | 390,248           | 393,487           |
| -                       | 42,352            | 30,471            |
| 5,283                   | 10,561            | 5,916             |
| 62,890                  | 62,890            | 116,813           |
| 14,439                  | 14,439            | 13,727            |
| -                       | 5,620             | 6,565             |
| 1,060                   | 1,060             | 1,202             |
| -                       | -                 | 335               |
| 6,273                   | 46,249            | 23,944            |
| -                       | 90,915            | 80,654            |
| -                       | 35,108            | -                 |
| 14,898                  | 14,898            | 15,558            |
| 24,177                  | 24,177            | 24,306            |
| 2,447                   | 2,447             | 3,112             |
| -                       | 95,277            | 84,809            |
| 5,752                   | 5,752             | 3,791             |
| 11,960                  | 11,960            | 4,850             |
| -                       | 12,433            | 12,976            |
| 14,066                  | 23,446            | 30,284            |
| -                       | -                 | 754               |
| 246,676                 | 1,100,370         | 1,052,639         |

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NON PROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

|                                          | Program Services |                               |                   |                  |                   |
|------------------------------------------|------------------|-------------------------------|-------------------|------------------|-------------------|
|                                          | Derby<br>CL/CH   | Cutting/<br>Gelding<br>Stakes | Summer<br>Circuit | Horse<br>Auction | Youth<br>Club     |
| <b>Expenses (continued)</b>              |                  |                               |                   |                  |                   |
| PCCHA assessment                         | -                | -                             | 2,646             | -                | -                 |
| Postage and shipping                     | -                | -                             | -                 | -                | -                 |
| Professional fees                        | -                | -                             | -                 | -                | -                 |
| Promotions                               | 2,204            | 1,893                         | -                 | -                | -                 |
| Property taxes                           | -                | -                             | -                 | -                | -                 |
| Purses                                   | 382,884          | 961,130                       | 81,889            | -                | -                 |
| Raffle expense                           | -                | -                             | -                 | -                | -                 |
| Repairs and maintenance                  | -                | -                             | -                 | -                | -                 |
| Salaries and wages                       | -                | -                             | -                 | -                | -                 |
| Security                                 | 2,558            | 3,658                         | -                 | -                | -                 |
| Show staff                               | 29,310           | 40,217                        | 2,952             | -                | -                 |
| Sponsorship costs                        | 9,022            | 19,336                        | 2,367             | -                | -                 |
| Stall rent                               | 4,696            | 22,084                        | 11,230            | -                | -                 |
| Stallion services                        | -                | -                             | -                 | -                | -                 |
| Telephone                                | -                | -                             | -                 | -                | -                 |
| Utilities                                | -                | -                             | -                 | -                | -                 |
| Video expense                            | 4,811            | 7,089                         | 2,960             | -                | -                 |
| Website                                  | 1,093            | -                             | -                 | -                | -                 |
| <b>Total Operating Expenses</b>          | <b>679,838</b>   | <b>1,531,249</b>              | <b>199,051</b>    | <b>35,108</b>    | <b>4,477</b>      |
| <b>Operating Income (Loss)</b>           | <b>31,942</b>    | <b>186,634</b>                | <b>20,949</b>     | <b>4,801</b>     | <b>(4,477)</b>    |
| <b>Non Operating Revenues (Expenses)</b> |                  |                               |                   |                  |                   |
| Interest income (expense)                | -                | -                             | -                 | -                | -                 |
| Sale of assets                           | -                | -                             | -                 | -                | -                 |
| Transfer out                             | -                | -                             | -                 | -                | (5,376)           |
| <b>Change in Net Assets</b>              | <b>\$ 31,942</b> | <b>\$ 186,634</b>             | <b>\$ 20,949</b>  | <b>\$ 4,801</b>  | <b>\$ (9,853)</b> |

See accompanying notes and accountants' report.

| <b>Support<br/>Services</b> |                       |                       |
|-----------------------------|-----------------------|-----------------------|
| <b>Admin</b>                | <b>Total<br/>2008</b> | <b>Total<br/>2007</b> |
| -                           | 2,646                 | -                     |
| 7,550                       | 7,550                 | 7,785                 |
| 21,881                      | 21,881                | 18,216                |
| 2,613                       | 6,710                 | 17,635                |
| 4,374                       | 4,374                 | 6,076                 |
| -                           | 1,425,903             | 1,509,666             |
| 1,333                       | 1,333                 | -                     |
| 2,611                       | 2,611                 | 4,131                 |
| 220,887                     | 220,887               | 225,964               |
| 468                         | 6,684                 | 6,518                 |
| -                           | 72,479                | 58,740                |
| 293                         | 31,018                | 11,637                |
| -                           | 38,010                | 40,550                |
| -                           | -                     | 1,238                 |
| 8,360                       | 8,360                 | 7,337                 |
| 4,783                       | 4,783                 | 3,644                 |
| -                           | 14,860                | 15,745                |
| 13,187                      | 14,280                | 12,341                |
| <b>535,016</b>              | <b>2,984,739</b>      | <b>2,999,862</b>      |
| (233,758)                   | 6,091                 | 86,602                |
| 17,798                      | 17,798                | 21,624                |
| -                           | -                     | 2,212                 |
| -                           | (5,376)               | -                     |
| <b>\$ (215,960)</b>         | <b>\$ 18,513</b>      | <b>\$ 110,438</b>     |

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

|                                                                                   | <u>2008</u>       | <u>2007</u>       |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                |                   |                   |
| Change in net assets                                                              | \$ 18,513         | \$ 110,438        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |
| Depreciation                                                                      | 14,439            | 13,727            |
| (Increase)Decrease in:                                                            |                   |                   |
| Accounts receivable                                                               | (9,451)           | (11,688)          |
| Inventory                                                                         | 2,309             | (537)             |
| Prepaid costs                                                                     | 1,827             | (244)             |
| Increase (Decrease) in:                                                           |                   |                   |
| Accounts payable                                                                  | 7,826             | (34,516)          |
| Sales tax payable                                                                 | (134)             | -                 |
| Accrued liabilities                                                               | (2,801)           | 2,196             |
| Due to PCCHA youth fund                                                           | (1,563)           | -                 |
| Deferred revenue                                                                  | 20,432            | (84,265)          |
| <b>Total Adjustments</b>                                                          | <u>32,884</u>     | <u>(115,327)</u>  |
| <b>Net Cash Provided by Operating Activities</b>                                  | <u>51,397</u>     | <u>(4,889)</u>    |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                |                   |                   |
| Purchase of property and equipment                                                | <u>(7,315)</u>    | <u>(659)</u>      |
| <b>Net Cash Provided (Used) by Investing Activities</b>                           | <u>(7,315)</u>    | <u>(659)</u>      |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                                |                   |                   |
| Repayment of note payable                                                         | <u>(3,991)</u>    | <u>(3,785)</u>    |
| <b>Net Cash Provided (Used) by Financing Activities</b>                           | <u>(3,991)</u>    | <u>(3,785)</u>    |
| <b>Net Increase in Cash and Cash Equivalents</b>                                  | 40,091            | (9,333)           |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                               | <u>555,712</u>    | <u>565,045</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <u>\$ 595,803</u> | <u>\$ 555,712</u> |

See accompanying notes and accountants' report.

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## NOTES TO FINANCIAL STATEMENTS

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**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NON PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Pacific Coast Cutting Horse Association (the Association) is the official cutting horse Association for nine western states within Association territory and is dedicated to maintaining the standards of cutting and attracting new participants to the sport. The Association's support comes primarily from individual sponsor contributions, association dues, and competition entry fees.

The Association is a nonprofit organization as described in Section 501(c)(7) of the Internal Revenue Code and is exempt from federal and state income taxes.

**Public Support and Revenue**

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recognized as revenue.

**Contributed Services**

During the years ended December 31, 2007 and 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association, but these services do not meet the criteria for recognition as contributed services under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Tax**

The Association is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(7) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**Cash and Cash Equivalents**

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

**Inventories and Prepaid Costs**

Inventories are stated at cost (first-in, first-out basis). Inventory for the Association includes merchandise held for sale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

**Property and Equipment**

It is the Association's policy to capitalize property and equipment that has an estimated useful life of five years or greater. Purchased property and equipment is capitalized at cost. Donation of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Property and equipment are depreciated using the straight-line method.

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NON PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**NOTE 2: RESTATEMENT OF NET ASSETS**

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the Association reports these changes as restatements of beginning net assets. During the current year an adjustment to net assets was required to correct a prior year misstatement of awards expense payable.

The impact of the restatement on the net assets on the financial statements as previously reported is presented below:

|                                                       |                          |
|-------------------------------------------------------|--------------------------|
| Net Assets, December 31, 2007, as previously reported | \$ 372,100               |
| Adjustment associated with:                           |                          |
| Accrual of awards expense payable                     | <u>(24,700)</u>          |
| Total Adjustments                                     | <u>(24,700)</u>          |
| Net Assets, January 1, 2008, as restated              | <u><u>\$ 347,400</u></u> |

**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of December 31, 2008 is summarized as follows:

|               | <u>December 31, 2008</u> |
|---------------|--------------------------|
| Cash in Banks | \$ 595,803               |

All cash and cash equivalent amounts, other than petty cash, are held in bank checking accounts, savings accounts, and certificates of deposit. At December 31, 2008, \$350,383 was held in accounts in excess of the Federal Deposit Insurance Corporation limits.

**NOTE 4: PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of December 31, 2008:

|                                                         |                          |
|---------------------------------------------------------|--------------------------|
| Land                                                    | \$ 85,549                |
| Buildings                                               | 441,683                  |
| Machinery and equipment                                 | <u>68,176</u>            |
| Total Property and Equipment                            | 595,408                  |
| Less Accumulated Depreciation                           | <u>( 103,230)</u>        |
| Property and Equipment, Net of Accumulated Depreciation | <u><u>\$ 492,178</u></u> |

**NOTE 5: UNEARNED REVENUE**

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

**PACIFIC COAST CUTTING HORSE ASSOCIATION**  
**(A NON PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5: UNEARNED REVENUE (CONTINUED)**

At December 31, 2008, components of unearned revenues were as follows:

|                                              | <u>Total</u>      |
|----------------------------------------------|-------------------|
| Stallion Service Auction                     | \$ 30,927         |
| Membership dues                              | 26,500            |
| Cutter checkoffs                             | 345               |
| 2009 Cutting Stakes                          | 132,500           |
| 2009 Gelding Stakes                          | 18,500            |
| 2009 Gelding Flat Fees                       | 4,050             |
| 2010 Cutting Stakes                          | 98,050            |
| 2010 Gelding Stakes                          | 3,500             |
| 2011 Cutting Stakes                          | 18,550            |
| 2011 Gelding Stakes                          | 500               |
| 2012 Cutting Stakes                          | <u>2,650</u>      |
| Total Unearned Revenue                       | 336,072           |
| Current Portion                              | <u>212,822</u>    |
| Total Long Term Portion of Unearned Revenues | <u>\$ 123,250</u> |

**NOTE 6: NOTE PAYABLE**

Debt consists of one note payable to American River Bank, with variable interest of 6.95% at December 31, 2008, due in monthly payments of \$2,338, and a maturity on December 1, 2015. The note is secured by the building and property.

|                                    |                   |
|------------------------------------|-------------------|
| Note Payable - American River Bank | \$ 338,365        |
| Less current maturities            | ( 4,685)          |
| Long Term Portion                  | <u>\$ 333,680</u> |

The following is a summary of principal maturities of the American River Bank note payable during the next five years based on the rate at December 31, 2008:

|            | <u>Total</u>      |
|------------|-------------------|
| 2009       | \$ 4,685          |
| 2010       | 5,021             |
| 2011       | 5,381             |
| 2012       | 5,767             |
| 2013       | 6,181             |
| Thereafter | <u>311,330</u>    |
| Total      | <u>\$ 338,365</u> |

**NOTE 7: FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

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