

**PACIFIC COAST CUTTING
HORSE ASSOCIATION,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Year Ended December 31, 2015

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of Pacific Coast Cutting Horse Association (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements. The prior year summarized comparative information has been derived from the Association's 2014 financial statements, and, in our report dated May 5, 2015, we stated that we have not audited or reviewed the 2014 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

As noted in Note 1L, management has elected to depart from generally accepted accounting principles and omit the liability for compensated absences, the effect of which has not been determined.

Supplementary Information

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the representation of management. The supplementary information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.


Smith & Newell, CPAs
Yuba City, California
April 15, 2016

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Financial Statements

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Statement of Financial Position
December 31, 2015
(With comparative totals for December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 835,900	\$ 904,300
Accounts receivable	42,547	37,516
Undeposited funds	-	1,339
Prepaid costs	8,933	5,070
Workers' compensation deposit	1,242	1,692
Total Current Assets	888,622	949,917
Non-Current Assets		
Property and equipment, net	21,032	20,225
Total Assets	<u>\$ 909,654</u>	<u>\$ 970,142</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,663	\$ 68,890
Salaries and benefits payable	4,632	5,786
Sales tax payable	382	209
Cutters caring/sharing payable	535	2,195
Accrued liabilities	1,303	1,051
Due to PCCHA Youth fund	-	425
Unearned revenue - other miscellaneous	99,762	77,086
Unearned revenue - future events	265,414	246,231
Note payable	-	20,450
Total Current Liabilities	406,691	422,323
Non-Current Liabilities		
Note payable	-	31,169
Total Liabilities	406,691	453,492
Net Assets		
Unrestricted:		
Reserved by Board	300,000	300,000
Unreserved by Board	202,963	216,650
Total Net Assets	502,963	516,650
Total Liabilities and Net Assets	<u>\$ 909,654</u>	<u>\$ 970,142</u>

See accompanying notes and accountant's compilation report.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Statement of Activities
Year Ended December 31, 2015
(With comparative totals for December 31, 2014)

	2015	2014
OPERATING REVENUES AND SUPPORT		
Administration income	\$ 21,546	\$ 24,561
Arena Signage	4,300	6,800
Banquet income	12,290	8,195
Bedding income	26,960	17,306
Calcutta income	12,000	10,550
Cattle fees	3,800	2,754
Vendor income	12,770	12,010
Hay/feed income	40	-
Membership dues	52,105	47,335
Entry fees	1,989,565	1,863,068
Other fees	602,569	578,375
Merchandise sales	3,521	4,984
Miscellaneous income	25,672	34,793
Practice income	208,730	218,900
RV space rental income	19,180	21,230
SSA/mare owner incentive	12,500	-
Special mailings	45,839	26,177
Sponsor income	245,484	272,496
Total Operating Revenues and Support	3,298,871	3,149,534
OPERATING EXPENSES		
Program services		
Derby, classic/challenge	1,251,063	998,077
Futurity	1,073,921	1,369,506
Roundup	465,408	400,578
Total Program Services	2,790,392	2,768,161
Support services		
Administration	521,610	513,186
Depreciation	3,693	6,733
Total Support Services	525,303	519,919
Total Operating Expenses	3,315,695	3,288,080
Operating Income (Loss)	(16,824)	(138,546)
NON OPERATING REVENUES (EXPENSES)		
Interest income	1,292	1,382
Other income	1,845	1,856
Rental income	-	5,817
Loss on sale of assets	-	(165,163)
Change in Net Assets	(13,687)	(294,654)
Net Assets - Beginning	516,650	811,304
Net Assets - Ending	\$ 502,963	\$ 516,650

See accompanying notes and accountant's compilation report.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Statement of Cash Flows
Year Ended December 31, 2015
(With comparative totals for December 31, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 3,324,538	\$ 3,201,296
Payments for operations	(3,098,400)	(3,036,245)
Payments to employees	<u>(241,131)</u>	<u>(250,982)</u>
Net Cash Provided (Used) by Operating Activities	<u>(14,993)</u>	<u>(85,931)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rental income	-	5,817
Other income (expense)	1,845	1,856
Due from PCCHA Youth Fund	-	2,473
Due to PCCHA Youth Fund	<u>(425)</u>	<u>(4,575)</u>
Net Cash Provided (Used) for Noncapital Financing Activities	<u>1,420</u>	<u>5,571</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of assets	(4,500)	237,813
Loan proceeds	-	62,310
Repayment of note payable	<u>(51,619)</u>	<u>(323,967)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(56,119)</u>	<u>(23,844)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>1,292</u>	<u>1,382</u>
Net Cash Provided (Used) for Investing Activities	<u>1,292</u>	<u>1,382</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,400)	(102,822)
Balances - Beginning	<u>904,300</u>	<u>1,007,122</u>
Balances - Ending	<u><u>\$ 835,900</u></u>	<u><u>\$ 904,300</u></u>

See accompanying notes and accountant's compilation report.

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Statement of Cash Flows
Year Ended December 31, 2015
(With comparative totals for December 31, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (16,824)	\$ (138,546)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,693	6,733
(Increase) decrease in:		
Accounts receivable	(5,031)	(16,983)
Undeposited funds	1,339	(1,339)
Prepaid costs	(3,863)	833
Workers' compensation deposit	450	-
Increase (decrease) in:		
Accounts payable	(34,227)	(4,985)
Salaries and benefits payable	(1,154)	(462)
Sales tax payable	173	(105)
Cutters caring/sharing payable	(1,660)	2,195
Accrued liabilities	252	(21)
Unearned revenue	41,859	70,084
Copier buyout	-	(3,335)
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (14,993)</u></u>	<u><u>\$ (85,931)</u></u>

See accompanying notes and accountant's compilation 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities

The Pacific Coast Cutting Horse Association (the Association) is the official cutting horse Association for nine western states within the Association's 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.

B. Income Tax

The Association is exempt from federal and state income taxes under Section 501(c)(7) of the Internal Revenue Code and therefore, no provision for income taxes has been made in these financial statements.

Merchandise sales income and rental income is considered unrelated business income and is reported as such for tax-reporting purposes. During 2015, net taxable unrelated business income was not significant and therefore, no provision for federal or state income taxes was recorded in these financial statements.

FASB ASC Topic No. 740, Income Taxes, prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management of the Association believes that it has not taken a tax position that, if challenged, would have a material effect on the financial statements. The Association files Forms 990 and 990-T in the federal jurisdiction within the United States and Form 199 for the State of California. At December 31, 2015, the Association's tax returns related to the years ended December 31, 2012, through December 31, 2014 remain open to possible examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Association has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D. Basis of Presentation

The Association presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 958-205, Not-For-Profit Entities: Presentation of Financial Statements. Under FASB ASC Topic No. 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations. The amount of \$300,000 in unrestricted net assets has been designated by the Board of Directors as a reserve.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or the passage of time. The Association does not have any temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Association. The Association does not have any permanently restricted net assets.

E. Donated Services

Donated services are recognized as contributions if the services, (a) create or enhance non-financial assets, or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Association. The Association pays for most services requiring specialized skills. However, a number of individuals volunteer their time and perform a variety of tasks that assist the Association with specific program functions and various other activities that are not recognized as contributions in the financial statements, because the recognition criteria under accounting principles generally accepted in the United States of America were not met.

F. Contributions

The Association accounts for contributions in accordance with FASB ASC Topic No. 958-605, Not-For-Profit Entities: Revenue Recognition. In accordance with FASB ASC Topic No. 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

G. Cash and Cash Equivalents

The Association maintains deposits in two financial institutions which are secured by the Federal Deposit Insurance Corporation (FDIC). The balance in these banks may at times exceed amounts covered by the FDIC. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash deposits. At December 31, 2015, \$335,625 was held in excess of FDIC limits.

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

H. Accounts Receivable

Accounts receivable consist primarily of amounts due from members. Normal accounts receivable are due 30 days after the issuance of the invoice. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are reviewed based on an individual credit evaluation and specific circumstances of the customer. At December 31, 2015, an allowance for doubtful accounts was not considered necessary.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventory and Prepaid Costs

Inventory items are recorded as an expense at the time individual items are purchased. Records are not maintained of inventory and supplies on hand, however, these amounts are not considered material.

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

J. 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. Donations 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.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-10 years

K. Unearned Revenues

Unearned revenue for other miscellaneous and future events represents money received before the earnings process is complete. The Association recognizes the unearned revenue for other miscellaneous including membership dues when the payment is due and for future events upon completion of the respective show or in accordance with the terms of the sponsorship agreement.

L. Compensated Absences

The Association has not determined the liability for compensated absences and has elected to omit this liability.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2015

NOTE 2: CASH

As of December 31, 2015, the Association's cash consisted of the following:

Cash in Bank - Checking	\$ 171,386
Cash in Bank - Money Market	664,239
Imprest Cash	<u>275</u>
Total Cash	<u><u>\$ 835,900</u></u>

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2015:

Equipment	\$ 86,406
Less Accumulated Depreciation	(<u>65,374</u>)
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 21,032</u></u>

Depreciation expense of \$3,693 was charged to support services operations.

NOTE 4: UNEARNED REVENUE

At December 31, 2015, components of unearned revenues were as follows:

Membership dues	\$ 24,935
Arena signage	1,000
Cutter checkoffs	100
Trainers income	26,204
Classified Ads	315
Sponsorship	25,950
Futurity intermediate purse	8,758
Prepaid Platinum Club	<u>12,500</u>
Unearned Revenue - Other Miscellaneous	<u>99,762</u>
Stallion Service Auction	88,485
2016 Cutting Stakes	29,225
2016 Gelding Stakes	9,038
2017 Cutting Stakes	27,713
2017 Gelding Stakes	6,163
2018 Cutting Stakes	22,788
2018 Gelding Stakes	3,863
2019 Cutting Stakes	21,888
2019 Gelding Stakes	2,138
2020 Cutting Stakes	12,113
2020 Gelding Stakes	225
2021 Cutting Stakes	1,275
Foals of 2013 - 16/17 Payout	17,900
Foals of 2014	15,200
Foals of 2015 - 18/19 Payout	<u>7,400</u>
Unearned Revenue - Future Events	<u>265,414</u>
Total Unearned Revenue	<u><u>\$ 365,176</u></u>

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2015

NOTE 5: RELATED PARTY TRANSACTIONS

The Pacific Coast Cutting Horse Association Youth Fund (Youth Fund) is the official youth cutting horse association for the nine western states within the Association territory and is dedicated to maintaining the standards of cutting and attracting new youth participants to the sport. The Pacific Coast Cutting Horse Association and the Youth Fund have a close working relationship. The Youth Fund is a separate entity from that of the Association, but it is also dependent in that the Association provides various assistance.

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2015 through April 15, 2016, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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Supplementary Information

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Schedule of Functional Revenues and Expenses
Year Ended December 31, 2015
(With comparative totals for December 31, 2014)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Roundup	Administration	Total 2015	Total 2014
OPERATING REVENUES						
Administration income	\$ -	\$ -	\$ -	\$ 21,546	\$ 21,546	\$ 24,561
Arena Signage	1,000	2,000	1,300	-	4,300	6,800
Banquet income	-	-	-	12,290	12,290	8,195
Bedding income	26,960	-	-	-	26,960	17,306
Calcutta income	-	12,000	-	-	12,000	10,550
Cattle fees	-	-	3,800	-	3,800	2,754
Vendor income	3,670	5,300	3,800	-	12,770	12,010
Hay/feed income	40	-	-	-	40	-
Dues	-	-	-	52,105	52,105	47,335
Entry fees	1,049,994	594,960	344,611	-	1,989,565	1,863,068
Other fees	167,181	244,207	56,231	134,950	602,569	578,375
Merchandise sales	-	-	-	3,521	3,521	4,984
Miscellaneous income	468	200	1,330	23,674	25,672	34,793
Practice income	105,475	71,555	31,700	-	208,730	218,900
RV space rental income	-	10,990	8,190	-	19,180	21,230
SSA/mare owner incentive	-	12,500	-	-	12,500	-
Special mailings	-	-	-	45,839	45,839	26,177
Sponsor income	91,667	99,142	43,692	10,983	245,484	272,496
Total Operating Revenues	1,446,455	1,052,854	494,654	304,908	3,298,871	3,149,534
OPERATING EXPENSES						
Advertising	4,708	7,675	929	5,694	19,006	15,336
Arena sand	-	4,000	2,400	-	6,400	12,986
Arena signage	1,484	2,470	603	-	4,557	2,140
Awards expense	14,096	44,666	6,220	82,968	147,950	147,053
Bad debt	-	-	-	639	639	1,220
Bank charges	-	-	-	16,532	16,532	12,935
Banquet	-	-	-	8,218	8,218	7,287
Bedding	27,480	-	-	-	27,480	19,240
Business licenses	-	-	-	71	71	101
Calcutta expense	-	12,000	-	-	12,000	9,110
Cattle costs	287,755	124,214	155,093	-	567,062	554,508
Cattle hay expense	24,536	10,885	8,548	-	43,969	52,644
Contract labor	686	398	-	786	1,870	1,321
Cutter subscription	-	-	-	63,216	63,216	45,401
Depreciation	-	-	-	3,693	3,693	6,733
Drug assessments	-	1,680	1,490	-	3,170	4,645
Dues and subscriptions	-	-	-	2,638	2,638	2,852
Equipment rent	610	5,605	4,365	4,917	15,497	13,363
Escrow fees	-	-	-	-	-	2,187
Facility rent/setup	9,409	58,000	46,739	-	114,148	119,412
Insurance	-	-	-	11,816	11,816	12,612
Interest expense	-	-	-	2,000	2,000	13,598
Judges/escort fees	33,977	35,955	13,948	-	83,880	105,070
Subtotal	404,741	307,548	240,335	203,188	1,155,812	1,161,754

See accompanying accountant's compilation report.

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Schedule of Functional Revenues and Expenses
Year Ended December 31, 2015
(With comparative totals for December 31, 2014)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Roundup	Administration	Total 2015	Total 2014
OPERATING EXPENSES						
(CONTINUED)						
Meeting expense	-	-	-	6,711	6,711	3,755
Merchandise	-	-	-	3,540	3,540	3,306
NCHA fees	17,444	10,441	9,641	-	37,526	34,893
Office expense	2,447	2,785	2,773	12,335	20,340	22,249
Postage and shipping	-	-	-	4,787	4,787	4,953
Professional fees	-	-	-	18,560	18,560	19,046
Promotions	-	60	209	2,818	3,087	402
Property taxes	-	-	-	179	179	1,421
Purses	722,481	713,411	189,051	-	1,624,943	1,571,052
Rent	-	-	-	17,196	17,196	11,177
Repairs and maintenance	-	-	-	1,287	1,287	10,430
Salaries and benefits	-	-	-	239,977	239,977	250,520
Security	-	918	810	-	1,728	4,206
Show staff	37,132	26,998	14,296	-	78,426	83,609
Sponsorship costs	3,202	6,498	291	557	10,548	15,151
Stall rent	53,485	500	600	-	54,585	53,874
Telephone	-	-	-	7,649	7,649	7,063
Utilities	-	-	-	-	-	2,066
Video expense	7,808	4,762	6,527	-	19,097	17,624
Website	2,323	-	875	6,519	9,717	9,529
Total Operating Expenses	1,251,063	1,073,921	465,408	525,303	3,315,695	3,288,080
Operating Income (Loss)	195,392	(21,067)	29,246	(220,395)	(16,824)	(138,546)
NON OPERATING REVENUES						
(EXPENSES)						
Interest income	-	-	-	1,292	1,292	1,382
Other income	-	1,360	-	485	1,845	1,856
Rental income	-	-	-	-	-	5,817
Loss on sale of assets	-	-	-	-	-	(165,163)
Change in Net Assets	\$ 195,392	\$ (19,707)	\$ 29,246	\$ (218,618)	\$ (13,687)	\$ (294,654)

See accompanying accountant's compilation report.

Continued (Page 2 of 2)

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Note to Schedule of Functional Revenues and Expenses
For the Year Ended December 31, 2015

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

In the Schedule of Functional Revenues and Expenses of Pacific Coast Cutting Horse Association, revenues and expenses are reported on a functional basis. Costs are divided between program services and support services. All revenue and expenses not directly related to a program service are reflected in support services.

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