

**PACIFIC COAST CUTTING
HORSE ASSOCIATION
(A Nonprofit Organization)**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

THIS PAGE INTENTIONALLY LEFT BLANK

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
For the Year Ended December 31, 2017

Table of Contents

	Page
INDEPENDENT ACCOUNTANT’S COMPILATION REPORT.....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position.	2
Statement of Activities.	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5-9
SUPPLEMENTARY INFORMATION:	
Schedule of Functional Revenues and Expenses.	10-11
Note to Schedule of Functional Revenues and Expenses.....	12

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

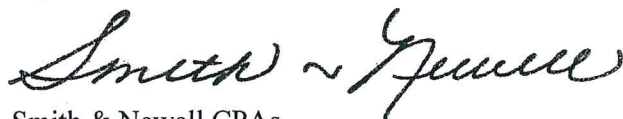
Management is responsible for the accompanying financial statements of Pacific Coast Cutting Horse Association (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the 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 2016 financial statements, and, in our report dated June 5, 2017, we stated that we have not audited or reviewed the 2016 financial statements and, accordingly, do not express an opinion, a conclusion, nor provide any form of 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. Management has not determined the effect of this departure from accounting principles generally accepted in the United States of America on the financial statements.

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. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.



Smith & Newell CPAs
Yuba City, California
June 14, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Financial Position
December 31, 2017
(With comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 817,512	\$ 886,187
Accounts receivable	7,763	38,541
Undeposited funds	215	3,625
Prepaid costs	4,680	9,831
Workers' compensation deposit	<u>1,153</u>	<u>1,153</u>
Total Current Assets	831,323	939,337
Non-Current Assets		
Property and equipment, net	<u>15,668</u>	<u>18,720</u>
Total Assets	<u><u>\$ 846,991</u></u>	<u><u>\$ 958,057</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 19,603	\$ 45,817
Salaries and benefits payable	3,319	-
Sales tax payable	-	189
Cutters caring/sharing payable	-	4,400
Accrued liabilities	4,164	2,277
Due to PCCHA Youth fund	-	215
Unearned revenue - other miscellaneous	94,901	86,588
Unearned revenue - future events	<u>292,699</u>	<u>299,439</u>
Total Current Liabilities	<u>414,686</u>	<u>438,925</u>
Total Liabilities	<u>414,686</u>	<u>438,925</u>
Net Assets		
Unrestricted:		
Reserved by Board	300,000	300,000
Unreserved by Board	<u>132,305</u>	<u>219,132</u>
Total Net Assets	<u>432,305</u>	<u>519,132</u>
Total Liabilities and Net Assets	<u><u>\$ 846,991</u></u>	<u><u>\$ 958,057</u></u>

See accompanying notes and accountant's compilation report.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Activities
For the Year Ended December 31, 2017
(With comparative totals for December 31, 2016)

	2017	2016
OPERATING REVENUES AND SUPPORT		
Administration income	\$ 16,085	\$ 19,237
Arena Signage	4,000	6,800
Banquet income	8,850	6,900
Bedding income	66,571	74,730
Calcutta income	12,550	23,825
Cattle fees	6,965	8,700
Vendor income	9,280	11,920
Hay/feed income	3,090	3,058
Membership dues	57,495	61,517
Entry fees	2,169,438	2,466,791
Other fees	504,446	552,758
Merchandise sales	2,771	6,957
Miscellaneous income	25,668	29,790
Practice income	253,430	305,940
RV space rental income	7,910	11,550
Foal incentive purse	21,200	-
SSA/mare owner incentive	12,500	10,000
Special mailings	29,590	33,783
Sponsor income	232,490	244,401
Total Operating Revenues and Support	3,444,329	3,878,657
OPERATING EXPENSES		
Program services		
Derby, classic/challenge	1,120,827	1,320,704
Futurity	1,399,101	1,460,312
Roundup	518,941	551,969
Total Program Services	3,038,869	3,332,985
Support services		
Administration	491,263	526,733
Depreciation	3,951	3,884
Total Support Services	495,214	530,617
Total Operating Expenses	3,534,083	3,863,602
Operating Income (Loss)	(89,754)	15,055
NON OPERATING REVENUES (EXPENSES)		
Gain (loss) on sale of assets	1,800	-
Interest income	1,127	1,114
Change in Net Assets	(86,827)	16,169
Net Assets - Beginning	519,132	502,963
Net Assets - Ending	\$ 432,305	\$ 519,132

See accompanying notes and accountant's compilation report.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended December 31, 2017
(With comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 3,480,093	\$ 3,899,889
Payments for operations	(3,299,101)	(3,612,238)
Payments to employees	(251,480)	(237,121)
Net Cash Provided (Used) by Operating Activities	<u>(70,488)</u>	<u>50,530</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from PCCHA Youth Fund	(215)	215
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(215)</u>	<u>215</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of assets	901	(1,572)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>901</u>	<u>(1,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	1,127	1,114
Net Cash Provided (Used) by Investing Activities	<u>1,127</u>	<u>1,114</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,675)	50,287
Balances - Beginning	<u>886,187</u>	<u>835,900</u>
Balances - Ending	<u><u>\$ 817,512</u></u>	<u><u>\$ 886,187</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (89,754)	\$ 15,055
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,951	3,884
(Increase) decrease in:		
Accounts receivable	30,778	4,006
Undeposited funds	3,410	(3,625)
Prepaid costs	5,151	(898)
Workers' compensation deposit	-	89
Increase (decrease) in:		
Accounts payable	(26,214)	11,154
Salaries and benefits payable	3,319	(4,632)
Sales tax payable	(189)	(193)
Cutters caring/sharing payable	(4,400)	3,865
Accrued liabilities	1,887	974
Unearned revenue	1,573	20,851
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (70,488)</u></u>	<u><u>\$ 50,530</u></u>

See accompanying notes and accountant's compilation report.

Notes to Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2017

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 is considered unrelated business income and is reported as such for tax-reporting purposes. During 2017, 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's Form 990, Return of Organization Exempt from Income Tax and 990-T, Exempt Organization Business Income Tax Return for the years ended December 31, 2015, 2016, and 2017, are subject to examination by the IRS, generally for three years after they were filed. The Association's Form 199, California Exempt Organization Annual Information Return and 109, California Exempt Organization Business Income Tax Return for the years ended December 31, 2014, 2015, 2016, and 2017 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

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 Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2017

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 three 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.

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, 2017, an allowance for doubtful accounts was not considered necessary.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2017

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. Advertising

Costs associated with advertising are charged to expense when incurred. Advertising expenses were \$29,858 in 2017 and \$24,424 in 2016.

N. 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 Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 2: CASH

As of December 31, 2017, the Association's cash consisted of the following:

Cash in Bank - Checking	\$ 150,814
Cash in Bank - Money Market	666,472
Imprest Cash	<u>226</u>
Total Cash	<u><u>\$ 817,512</u></u>

At December 31, 2017, \$339,875 was held in excess of FDIC limits.

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2017:

Equipment	\$ 87,078
Less Accumulated Depreciation	<u>(71,410)</u>
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 15,668</u></u>

Depreciation expense of \$3,951 was charged to support services operations.

NOTE 4: UNEARNED REVENUE

At December 31, 2017, components of unearned revenues were as follows:

Membership dues	\$ 23,795
Trainers income	26,636
Sponsorship	1,400
Prepaid Platinum Club	30,000
Youth committee	<u>13,070</u>
Unearned Revenue - Other Miscellaneous	<u>94,901</u>
Stallion Service Auction	126,674
2018 Cutting Stakes	40,612
2019 Cutting Stakes	31,638
2020 Cutting Stakes	28,175
2021 Cutting Stakes	15,975
2022 Cutting Stakes	4,725
Foals of 2015 - 18/19 Payout	22,700
Foals of 2016	19,400
Foals of 2017	<u>2,800</u>
Unearned Revenue - Future Events	<u>292,699</u>
Total Unearned Revenue	<u><u>\$ 387,600</u></u>

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2017

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, 2017 through June 14, 2018, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Schedule of Functional Revenues and Expenses
For the Year Ended December 31, 2017
(With comparative totals for December 31, 2016)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Roundup	Administration	Total 2017	Total 2016
OPERATING REVENUES						
Administration income	\$ -	\$ -	\$ -	\$ 16,085	\$ 16,085	\$ 19,237
Arena Signage	1,500	1,000	1,500	-	4,000	6,800
Banquet income	-	-	-	8,850	8,850	6,900
Bedding income	22,308	27,863	16,400	-	66,571	74,730
Calcutta income	6,300	6,250	-	-	12,550	23,825
Cattle fees	765	-	6,200	-	6,965	8,700
Vendor income	3,905	3,075	2,300	-	9,280	11,920
Hay/feed income	-	-	3,090	-	3,090	3,058
Dues	-	-	-	57,495	57,495	61,517
Entry fees	870,597	937,065	361,776	-	2,169,438	2,466,791
Other fees	129,516	198,997	57,030	118,903	504,446	552,758
Merchandise sales	-	-	-	2,771	2,771	6,957
Miscellaneous income	428	-	978	24,262	25,668	29,790
Practice income	91,685	129,295	32,450	-	253,430	305,940
RV space rental income	-	-	7,910	-	7,910	11,550
Foal incentive purse	-	21,200	-	-	21,200	-
SSA/mare owner incentive	-	12,500	-	-	12,500	10,000
Special mailings	-	-	-	29,590	29,590	33,783
Sponsor income	68,167	100,807	50,966	12,550	232,490	244,401
Total Operating Revenues	1,195,171	1,438,052	540,600	270,506	3,444,329	3,878,657
OPERATING EXPENSES						
Advertising	7,644	7,988	1,425	12,801	29,858	24,424
Arena sand	-	-	4,200	-	4,200	4,960
Arena signage	682	1,159	350	-	2,191	1,875
Awards expense	15,718	42,387	6,446	19,770	84,321	146,279
Bad debt	-	-	-	3,454	3,454	963
Bank charges	-	-	-	20,900	20,900	21,272
Banquet	-	-	-	7,830	7,830	9,734
Bedding	22,132	27,720	9,909	-	59,761	65,700
Business licenses	-	-	-	308	308	156
Calcutta expense	6,400	6,250	-	-	12,650	23,525
Cattle costs	266,060	256,447	150,300	-	672,807	776,434
Cattle hay expense	22,576	19,384	10,629	-	52,589	48,368
Contract labor	829	934	135	1,249	3,147	2,819
Cutter subscription	-	-	-	48,764	48,764	52,881
Depreciation	-	-	-	3,951	3,951	3,884
Drug assessments	-	-	1,245	-	1,245	1,495
Dues and subscriptions	-	-	-	3,133	3,133	1,953
Employee training	-	-	-	79	79	-
Equipment rent	-	-	5,050	5,546	10,596	8,443
Facility rent/setup	8,568	9,036	36,697	-	54,301	62,834
Insurance	-	-	-	18,299	18,299	10,787
Interest expense	-	-	-	284	284	169
Subtotal	350,609	371,305	226,386	146,368	1,094,668	1,268,955

See accompanying accountant's compilation report.

Continued (Page 1 of 2)

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Schedule of Functional Revenues and Expenses
For the Year Ended December 31, 2017
(With comparative totals for December 31, 2016)

	Program Services			Support Services	Total 2017	Total 2016
	Derby, Classic/ Challenge	Futurity	Roundup	Administration		
OPERATING EXPENSES						
(CONTINUED)						
Judges/escort fees	36,407	41,542	15,697	-	93,646	93,063
Meeting expense	-	-	-	11,845	11,845	7,768
Merchandise	-	-	-	1,259	1,259	6,729
NCHA fees	17,515	15,134	9,644	-	42,293	47,364
Office expense	2,368	2,527	2,990	24,828	32,713	16,179
Postage and shipping	-	-	-	5,091	5,091	6,136
Professional fees	-	-	-	16,200	16,200	19,156
Promotions	-	-	-	200	200	76
Purses	623,218	858,767	220,095	-	1,702,080	1,871,063
Rent	-	-	-	14,840	14,840	13,898
Repairs and maintenance	-	-	-	665	665	1,142
Reimbursements	-	-	-	7,158	7,158	-
Salaries and benefits	-	-	-	254,799	254,799	232,489
Security	-	-	972	-	972	959
Show staff	33,559	38,878	25,658	-	98,095	99,141
Sponsorship costs	3,307	3,792	835	1,498	9,432	14,944
Stall rent	44,424	56,232	9,220	-	109,876	116,565
Telephone	-	-	-	5,485	5,485	7,866
Video expense	6,990	8,224	6,604	-	21,818	21,204
Website	2,430	2,700	840	4,978	10,948	18,905
Total Operating Expenses	1,120,827	1,399,101	518,941	495,214	3,534,083	3,863,602
Operating Income (Loss)	74,344	38,951	21,659	(224,708)	(89,754)	15,055
NON OPERATING REVENUES						
(EXPENSES)						
Gain (loss) on sale of assets	-	-	-	1,800	1,800	-
Interest income	-	-	-	1,127	1,127	1,114
Change in Net Assets	\$ 74,344	\$ 38,951	\$ 21,659	\$ (221,781)	\$ (86,827)	\$ 16,169

See accompanying accountant's compilation report.

Continued (Page 2 of 2)

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Note to Schedule of Functional Revenues and Expenses
For the Year Ended December 31, 2017

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.

THIS PAGE INTENTIONALLY LEFT BLANK