

**PACIFIC COAST CUTTING
HORSE ASSOCIATION,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Year Ended December 31, 2016

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

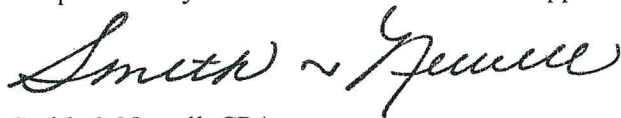
To the Board of Directors
Pacific Coast Cutting Horse Association
Lockeford, California

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, 2016, 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 2015 financial statements, and, in our report dated April 15, 2016, we stated that we have not audited or reviewed the 2015 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, the effect of which has not been determined.

Supplementary Information

The accompanying 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 supplementary information.



Smith & Newell, CPAs
Yuba City, California
June 5, 2017

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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, 2016
(With comparative totals for December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 886,187	\$ 835,900
Accounts receivable	38,541	42,547
Undeposited funds	3,625	-
Prepaid costs	9,831	8,933
Workers' compensation deposit	1,153	1,242
Total Current Assets	939,337	888,622
Non-Current Assets		
Property and equipment, net	18,720	21,032
Total Assets	<u>\$ 958,057</u>	<u>\$ 909,654</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 45,817	\$ 34,663
Salaries and benefits payable	-	4,632
Sales tax payable	189	382
Cutters caring/sharing payable	4,400	535
Accrued liabilities	2,277	1,303
Due to PCCHA Youth fund	215	-
Unearned revenue - other miscellaneous	86,588	99,762
Unearned revenue - future events	299,439	265,414
Total Current Liabilities	438,925	406,691
Total Liabilities	438,925	406,691
Net Assets		
Unrestricted:		
Reserved by Board	300,000	300,000
Unreserved by Board	219,132	202,963
Total Net Assets	519,132	502,963
Total Liabilities and Net Assets	<u>\$ 958,057</u>	<u>\$ 909,654</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, 2016
(With comparative totals for December 31, 2015)

	2016	2015
OPERATING REVENUES AND SUPPORT		
Administration income	\$ 19,237	\$ 21,546
Arena Signage	6,800	4,300
Banquet income	6,900	12,290
Bedding income	74,730	26,960
Calcutta income	23,825	12,000
Cattle fees	8,700	3,800
Vendor income	11,920	12,770
Hay/feed income	3,058	40
Membership dues	61,517	52,105
Entry fees	2,466,791	1,989,565
Other fees	552,758	602,569
Merchandise sales	6,957	3,521
Miscellaneous income	29,790	25,672
Practice income	305,940	208,730
RV space rental income	11,550	19,180
SSA/mare owner incentive	10,000	12,500
Special mailings	33,783	45,839
Sponsor income	244,401	245,484
Total Operating Revenues and Support	3,878,657	3,298,871
OPERATING EXPENSES		
Program services		
Derby, classic/challenge	1,320,704	1,251,063
Futurity	1,460,312	1,073,921
Roundup	551,969	465,408
Total Program Services	3,332,985	2,790,392
Support services		
Administration	526,733	521,610
Depreciation	3,884	3,693
Total Support Services	530,617	525,303
Total Operating Expenses	3,863,602	3,315,695
Operating Income (Loss)	15,055	(16,824)
NON OPERATING REVENUES (EXPENSES)		
Interest income	1,114	1,292
Other income	-	1,845
Change in Net Assets	16,169	(13,687)
Net Assets - Beginning	502,963	516,650
Net Assets - Ending	\$ 519,132	\$ 502,963

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, 2016
(With comparative totals for December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 3,899,889	\$ 3,324,538
Payments for operations	(3,612,238)	(3,098,400)
Payments to employees	(237,121)	(241,131)
Net Cash Provided (Used) by Operating Activities	50,530	(14,993)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other income (expense)	-	1,845
Due from PCCHA Youth Fund	215	-
Due to PCCHA Youth Fund	-	(425)
Net Cash Provided (Used) for Noncapital Financing Activities	215	1,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of assets	(1,572)	(4,500)
Repayment of note payable	-	(51,619)
Net Cash Provided (Used) for Capital and Related Financing Activities	(1,572)	(56,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	1,114	1,292
Net Cash Provided (Used) for Investing Activities	1,114	1,292
Net Increase (Decrease) in Cash and Cash Equivalents	50,287	(68,400)
Balances - Beginning	835,900	904,300
Balances - Ending	\$ 886,187	\$ 835,900
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 15,055	\$ (16,824)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,884	3,693
(Increase) decrease in:		
Accounts receivable	4,006	(5,031)
Undeposited funds	(3,625)	1,339
Prepaid costs	(898)	(3,863)
Workers' compensation deposit	89	450
Increase (decrease) in:		
Accounts payable	11,154	(34,227)
Salaries and benefits payable	(4,632)	(1,154)
Sales tax payable	(193)	173
Cutters caring/sharing payable	3,865	(1,660)
Accrued liabilities	974	252
Unearned revenue	20,851	41,859
Net Cash Provided (Used) by Operating Activities	\$ 50,530	\$ (14,993)

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, 2016

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 2016, 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, 2014, 2015, and 2016, 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, 2013, 2014, 2015, and 2016 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 Non Profit Organization)
Notes to Financial Statements
December 31, 2016

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, 2016, \$385,961 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, 2016, an allowance for doubtful accounts was not considered necessary.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2016

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, 2016

NOTE 2: CASH

As of December 31, 2016, the Association's cash consisted of the following:

Cash in Bank - Checking	\$ 220,601
Cash in Bank - Money Market	665,345
Imprest Cash	<u>241</u>
Total Cash	<u>\$ 886,187</u>

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2016:

Equipment	\$ 87,979
Less Accumulated Depreciation	(<u>69,259</u>)
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 18,720</u>

Depreciation expense of \$3,884 was charged to support services operations.

NOTE 4: UNEARNED REVENUE

At December 31, 2016, components of unearned revenues were as follows:

Membership dues	\$ 21,940
Arena signage	500
Cutter checkoffs	200
Trainers income	32,548
Sponsorship	1,400
Prepaid Platinum Club	<u>30,000</u>
Unearned Revenue - Other Miscellaneous	<u>86,588</u>
Stallion Service Auction	125,748
2017 Cutting Stakes	29,413
2017 Gelding Stakes	6,738
2018 Cutting Stakes	26,188
2018 Gelding Stakes	4,988
2019 Cutting Stakes	28,938
2019 Gelding Stakes	4,238
2020 Cutting Stakes	24,013
2020 Gelding Stakes	675
2021 Cutting Stakes	5,850
2022 Cutting Stakes	1,350
Foals of 2014	18,200
Foals of 2015 - 18/19 Payout	20,300
Foals of 2016	<u>2,800</u>
Unearned Revenue - Future Events	<u>299,439</u>
Total Unearned Revenue	<u>\$ 386,027</u>

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2016

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. At December 31, 2016, the Association owed the Youth Fund \$215.

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2016 through June 5, 2017, 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, 2016
(With comparative totals for December 31, 2015)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Roundup	Administration	Total 2016	Total 2015
OPERATING REVENUES						
Administration income	\$ -	\$ -	\$ -	\$ 19,237	\$ 19,237	\$ 21,546
Arena Signage	2,250	2,500	2,050	-	6,800	4,300
Banquet income	-	-	-	6,900	6,900	12,290
Bedding income	26,770	26,160	21,800	-	74,730	26,960
Calcutta income	14,550	9,275	-	-	23,825	12,000
Cattle fees	1,500	-	7,200	-	8,700	3,800
Vendor income	5,220	3,400	3,300	-	11,920	12,770
Hay/feed income	-	-	3,058	-	3,058	40
Dues	-	-	-	61,517	61,517	52,105
Entry fees	1,032,489	1,014,128	420,174	-	2,466,791	1,989,565
Other fees	157,475	216,708	64,956	113,619	552,758	602,569
Merchandise sales	-	-	-	6,957	6,957	3,521
Miscellaneous income	584	-	1,126	28,080	29,790	25,672
Practice income	131,940	131,950	42,050	-	305,940	208,730
RV space rental income	-	-	11,550	-	11,550	19,180
SSA/mare owner incentive	-	10,000	-	-	10,000	12,500
Special mailings	-	-	-	33,783	33,783	45,839
Sponsor income	85,717	85,867	48,217	24,600	244,401	245,484
Total Operating Revenues	1,458,495	1,499,988	625,481	294,693	3,878,657	3,298,871
OPERATING EXPENSES						
Advertising	7,154	6,967	864	9,439	24,424	19,006
Arena sand	-	-	4,960	-	4,960	6,400
Arena signage	295	531	1,049	-	1,875	4,557
Awards expense	16,877	35,297	2,225	91,880	146,279	147,950
Bad debt	-	-	-	963	963	639
Bank charges	-	-	-	21,272	21,272	16,532
Banquet	-	-	-	9,734	9,734	8,218
Bedding	27,160	26,880	11,660	-	65,700	27,480
Business licenses	-	-	-	156	156	71
Calcutta expense	14,250	9,275	-	-	23,525	12,000
Cattle costs	330,641	272,664	173,129	-	776,434	567,062
Cattle hay expense	16,511	21,306	10,551	-	48,368	43,969
Contract labor	375	1,069	390	985	2,819	1,870
Cutter subscription	-	-	-	52,881	52,881	63,216
Depreciation	-	-	-	3,884	3,884	3,693
Drug assessments	-	-	1,495	-	1,495	3,170
Dues and subscriptions	-	-	-	1,953	1,953	2,638
Equipment rent	400	400	1,925	5,718	8,443	15,497
Facility rent/setup	9,214	8,840	44,780	-	62,834	114,148
Insurance	-	-	-	10,787	10,787	11,816
Interest expense	-	-	-	169	169	2,000
Judges/escort fees	37,421	40,313	15,329	-	93,063	83,880
Subtotal	460,298	423,542	268,357	209,821	1,362,018	1,155,812

See accompanying accountant's compilation report.

Continued (Page 1 of 2)

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Schedule of Functional Revenues and Expenses
Year Ended December 31, 2016
(With comparative totals for December 31, 2015)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Roundup	Administration	Total 2016	Total 2015
OPERATING EXPENSES						
(CONTINUED)						
Meeting expense	-	-	-	7,768	7,768	6,711
Merchandise	-	-	-	6,729	6,729	3,540
NCHA fees	20,936	15,722	10,706	-	47,364	37,526
Office expense	2,756	2,383	2,156	8,884	16,179	20,340
Postage and shipping	-	-	-	6,136	6,136	4,787
Professional fees	-	-	-	19,156	19,156	18,560
Promotions	-	-	-	76	76	3,087
Property taxes	-	-	-	-	-	179
Purses	724,917	907,350	238,796	-	1,871,063	1,624,943
Rent	-	-	-	13,898	13,898	17,196
Repairs and maintenance	-	-	-	1,142	1,142	1,287
Salaries and benefits	-	-	-	232,489	232,489	239,977
Security	-	-	959	-	959	1,728
Show staff	40,578	39,732	18,831	-	99,141	78,426
Sponsorship costs	3,542	6,615	690	4,097	14,944	10,548
Stall rent	56,317	55,968	4,280	-	116,565	54,585
Telephone	-	-	-	7,866	7,866	7,649
Video expense	9,000	5,910	6,294	-	21,204	19,097
Website	2,360	3,090	900	12,555	18,905	9,717
Total Operating Expenses	1,320,704	1,460,312	551,969	530,617	3,863,602	3,315,695
Operating Income (Loss)	137,791	39,676	73,512	(235,924)	15,055	(16,824)
NON OPERATING REVENUES						
(EXPENSES)						
Adjustment	-	(18,302)	-	18,302	-	-
Interest income	-	-	-	1,114	1,114	1,292
Other income	-	-	-	-	-	1,845
Change in Net Assets	\$ 137,791	\$ 21,374	\$ 73,512	\$ (216,508)	\$ 16,169	\$ (13,687)

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, 2016

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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