

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018**

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
For the Year Ended December 31, 2018

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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, 2018, 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 2017 financial statements, and, in our report dated June 14, 2018, we stated that we have not audited or reviewed the 2017 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.



Smith & Newell CPAs
Yuba City, California
June 17, 2019

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Financial Statements

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Financial Position
December 31, 2018
(With summarized comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 685,433	\$ 817,512
Undeposited funds	-	215
Accounts receivable	6,177	7,763
Prepaid expenses	<u>3,561</u>	<u>4,680</u>
Total Current Assets	695,171	830,170
Property and equipment, net	15,721	15,668
Other Assets:		
Workers' compensation deposit	<u>1,153</u>	<u>1,153</u>
Total Assets	<u><u>\$ 712,045</u></u>	<u><u>\$ 846,991</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,062	\$ 19,603
Salaries and benefits payable	5,475	3,319
Accrued liabilities	2,292	4,164
Due to PCCHA Youth fund	120	-
Unearned revenue - other miscellaneous	127,691	94,901
Unearned revenue - future events	<u>275,668</u>	<u>292,699</u>
Total Current Liabilities	<u>435,308</u>	<u>414,686</u>
Total Liabilities	<u>435,308</u>	<u>414,686</u>
Net Assets		
Board designated net assets	300,000	300,000
Without donor restrictions	<u>(23,263)</u>	<u>132,305</u>
Total Net Assets	<u>276,737</u>	<u>432,305</u>
Total Liabilities and Net Assets	<u><u>\$ 712,045</u></u>	<u><u>\$ 846,991</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, 2018
(With summarized comparative totals for December 31, 2017)

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains:		
Administration income	\$ 19,891	\$ 16,085
Arena Signage	8,400	4,000
Banquet income	8,080	8,850
Bedding income	90,859	66,571
Calcutta income	-	12,550
Cattle fees	7,800	6,965
Vendor income	11,138	9,280
Hay/feed income	2,586	3,090
Membership dues	60,837	57,495
Entry fees	2,772,515	2,169,438
Other fees	598,695	504,446
Merchandise sales	-	2,771
Miscellaneous income	29,942	25,668
Practice income	330,319	253,430
RV space rental income	-	7,910
Reimbursed event costs	28,402	-
Foal incentive purse	22,700	21,200
SSA/mare owner incentive	12,500	12,500
Special mailings	33,979	29,590
Sponsor income	279,788	232,490
Gain (loss) on sale of assets	-	1,800
Interest income	1,150	1,127
Total Revenues and Gains Without Donor Restrictions	4,319,581	3,447,256
Expenses:		
Program services		
Derby, classic/challenge	1,397,628	1,120,827
Futurity	1,422,984	1,399,101
Roundup	36,920	518,941
Reno	537,198	-
Scottdale	561,321	-
Total Program Services	3,956,051	3,038,869
Supporting services		
Administration	514,930	491,263
Depreciation	4,168	3,951
Total Support Services	519,098	495,214
Total Expenses	4,475,149	3,534,083
Increase (Decrease) in Net Assets Without Donor Restrictions	(155,568)	(86,827)
Net Assets at Beginning of Year	432,305	519,132
Net Assets at End of Year	\$ 276,737	\$ 432,305

See accompanying notes and accountant's compilation report.

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With summarized comparative totals for December 31, 2017)

	Program Services				
	Derby, Classic/ Challenge	Futurity	Roundup	Reno	Scottsdale
Advertising	\$ 6,536	\$ 3,058	\$ 1,495	\$ 1,699	\$ 604
Arena sand	-	-	1,950	22,851	-
Arena signage	968	513	34	972	423
Awards expense	22,473	68,513	-	9,196	4,766
Bad debt	-	-	-	-	-
Bank charges	-	-	-	-	-
Banquet	-	12,823	-	-	-
Bedding	26,312	25,476	1,200	13,414	15,974
Business licenses	-	-	-	-	-
Calcutta expense	-	-	-	-	-
Cattle costs	328,430	247,814	-	164,325	181,534
Cattle hay expense	20,069	17,127	-	7,503	16,382
Contract labor	630	593	132	-	-
Cutter subscription	-	-	-	-	-
Depreciation	-	-	-	-	-
Drug assessments	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Employee training	-	-	-	-	-
Equipment rent	-	1,000	3,400	2,379	-
Facility rent/setup	9,967	8,810	17,036	21,488	7,049
Insurance	-	-	-	-	-
Interest expense	-	-	-	-	-
Judges/escort fees	37,571	41,150	2,404	15,873	22,017
Meeting expense	-	-	-	-	-
Merchandise	-	-	-	-	-
NCHA fees	20,117	15,184	-	9,605	13,483
Office expense	2,850	3,977	847	2,599	2,862
Postage and shipping	-	-	-	-	-
Professional fees	-	-	-	-	-
Promotions	-	170	-	128	2,466
Property tax	-	-	-	-	-
Purses	814,390	871,076	-	226,441	208,442
Rent	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-
Reimbursements	-	-	-	-	-
Salaries and benefits	-	-	-	-	-
Security	-	-	-	-	-
Show staff	36,381	38,143	-	29,187	33,690
Special mailing	-	-	-	-	-
Sponsorship costs	5,010	2,643	(110)	534	-
Stall rent	55,346	54,903	8,532	-	41,600
Telephone	-	-	-	-	-
Video expense	8,148	7,279	-	7,504	8,154
Website	2,430	2,732	-	1,500	1,875
	<u>\$ 1,397,628</u>	<u>\$ 1,422,984</u>	<u>\$ 36,920</u>	<u>\$ 537,198</u>	<u>\$ 561,321</u>

See accompanying notes and accountant's compilation report.

Supporting Services			
Administration	Total 2018	Total 2017	
\$ 8,897	\$ 22,289	\$ 29,858	
-	24,801	4,200	
-	2,910	2,191	
76,682	181,630	84,321	
3,293	3,293	3,454	
20,704	20,704	20,900	
5,464	18,287	7,830	
-	82,376	59,761	
30	30	308	
-	-	12,650	
-	922,103	672,807	
-	61,081	52,589	
360	1,715	3,147	
19,186	19,186	48,764	
4,168	4,168	3,951	
-	-	1,245	
3,821	3,821	3,133	
-	-	79	
6,551	13,330	10,596	
-	64,350	54,301	
17,611	17,611	18,299	
-	-	284	
-	119,015	93,646	
6,264	6,264	11,845	
-	-	1,259	
-	58,389	42,293	
11,273	24,408	32,713	
6,063	6,063	5,091	
20,687	20,687	16,200	
442	3,206	200	
213	213	-	
-	2,120,349	1,702,080	
13,780	13,780	14,840	
1,061	1,061	665	
-	-	7,158	
245,013	245,013	254,799	
-	-	972	
-	137,401	98,095	
33,979	33,979	-	
1,320	9,397	9,432	
-	160,381	109,876	
7,966	7,966	5,485	
-	31,085	21,818	
4,270	12,807	10,948	
\$ 519,098	\$ 4,475,149	\$ 3,534,083	

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended December 31, 2018
(With summarized comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (155,568)	\$ (86,827)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	4,168	3,951
Gain (loss) on sale of assets	-	(1,800)
Interest income	(1,150)	(1,127)
(Increase) decrease in operating assets:		
Accounts receivable	1,586	30,778
Undeposited funds	215	3,410
Prepaid expenses	1,119	5,151
Increase (decrease) in operating liabilities:		
Accounts payable	4,459	(26,214)
Salaries and benefits payable	2,156	3,319
Sales tax payable	-	(189)
Cutters caring/sharing payable	-	(4,400)
Accrued liabilities	(1,872)	1,887
Unearned revenue	15,759	1,573
Net Cash Provided (Used) by Operating Activities	<u>(129,128)</u>	<u>(70,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>1,150</u>	<u>1,127</u>
Net Cash Provided (Used) by Investing Activities	<u>1,150</u>	<u>1,127</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Due from PCCHA Youth Fund	120	(215)
Acquisition of assets	<u>(4,221)</u>	<u>901</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,101)</u>	<u>686</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(132,079)	(68,675)
Beginning Cash and Cash Equivalents	<u>817,512</u>	<u>886,187</u>
Ending Cash and Cash Equivalents	<u><u>\$ 685,433</u></u>	<u><u>\$ 817,512</u></u>

See accompanying notes and accountant's compilation report.

Notes to Financial Statements

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: NATURE OF ACTIVITIES AND 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 2018, there were no merchandise sales and net taxable unrelated business income was zero, 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, 2016, 2017, and 2018, 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, 2015, 2016, 2017, and 2018 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Basis of Presentation (Continued)

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions. The Association Board of Directors has designated an amount of \$300,000 as a reserve. This amount is presented as Board designated net assets in the Statement of Financial Position.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. The Association does not have any net assets with donor restrictions.

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 net assets with donor restrictions or net assets without donor restrictions depending on the existence 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.

For the purposes of the Statement of Cash Flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less 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, 2018, 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, 2018

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Inventory and Prepaid Expenses

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 expenses.

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 more. 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 contributions without donor restrictions 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 contributions with donor restrictions.

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 \$22,289 in 2018 and \$29,858 in 2017.

N. 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.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

O. Cost Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated directly to the program that they relate to. All expenses not directly related to a program are reflected in supporting services.

NOTE 2: CASH

As of December 31, 2018, the Association's cash consisted of the following:

Cash in Bank - Checking	\$ 17,207
Cash in Bank - Money Market	667,621
Imprest Cash	<u>605</u>
Total Cash	<u><u>\$ 685,433</u></u>

At December 31, 2018, \$206,382 was held in excess of FDIC limits.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 685,433
Accounts receivable	<u>6,177</u>
Total	<u><u>\$ 691,610</u></u>

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2018:

Equipment	\$ 91,299
Less Accumulated Depreciation	<u>(75,578)</u>
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 15,721</u></u>

Depreciation expense of \$4,168 was charged to support services operations.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 5: UNEARNED REVENUE

At December 31, 2018, components of unearned revenues were as follows:

Membership dues	\$ 23,640
Trainers income	41,766
Cutter checkoff	125
Prepaid Silver Club	18,000
Prepaid Platinum Club	32,500
Youth committee	<u>11,660</u>
Unearned Revenue - Other Miscellaneous	<u>127,691</u>
Stallion Service Auction	127,905
2019 Cutting Stakes	31,638
2020 Cutting Stakes	30,875
2021 Cutting Stakes	20,025
2022 Cutting Stakes	11,475
2023 Cutting Stakes	4,050
Foals of 2016	21,600
Foals of 2017	18,700
Foals of 2018	<u>9,400</u>
Unearned Revenue - Future Events	<u>275,668</u>
Total Unearned Revenue	<u><u>\$ 403,359</u></u>

NOTE 6: 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 7: SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2018 through June 17, 2019, 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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