

**PACIFIC COAST CUTTING
HORSE ASSOCIATION,
CALIFORNIA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012**

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PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Year Ended December 31, 2012

Table of Contents

	Page
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

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ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying statement of financial position of Pacific Coast Cutting Horse Association (a nonprofit organization) as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended. We have not audited or reviewed the accompanying 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. The prior year summarized comparative information has been derived from the Association's 2011 financial statements, and, in our report dated April 18, 2012, we stated that we have not audited or reviewed the 2011 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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

The supplementary information as listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

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.

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



Smith & Newell, CPAs
Yuba City, California
April 1, 2013

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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, 2012
(With comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash	\$ 780,462	\$ 740,408
Accounts receivable	35,439	30,769
Due from PCCHA Youth	338	-
Undeposited funds	-	7,187
Prepaid costs	7,159	5,395
Workers' compensation deposit	2,319	2,319
Total Current Assets	825,717	786,078
Non-Current Assets		
Land	85,549	85,549
Buildings	441,683	441,683
Equipment	73,339	73,339
Accumulated depreciation	(158,346)	(144,577)
Total Assets	<u>\$ 1,267,942</u>	<u>\$ 1,242,072</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 83,341	\$ 63,881
Salaries and benefits payable	-	4,782
Sales tax payable	259	380
Accrued liabilities	1,840	451
Due to PCCHA Youth fund	5,720	-
Unearned revenue - other	20,068	20,219
Unearned revenue - future events	216,678	254,875
Note payable	319,034	324,340
Total Liabilities	646,940	668,928
Net Assets		
Unrestricted:		
Board designated reserve	250,000	250,000
Undesignated	371,002	323,144
Total Net Assets	621,002	573,144
Total Liabilities and Net Assets	<u>\$ 1,267,942</u>	<u>\$ 1,242,072</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, 2012
(With comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Administration income	\$ 35,787	\$ 32,458
Arena Signage	500	1,000
Auction income	3,464	3,689
Banquet income	10,650	11,450
Calcutta income	27,650	16,400
Vendor income	10,750	10,750
Dues	52,224	52,395
Entry fees	1,547,403	1,648,257
Other fees	569,486	549,283
Merchandise sales	4,690	5,426
Miscellaneous income	17,022	20,728
Practice income	173,600	171,515
RV space rental income	27,605	20,415
Special mailings	31,240	36,445
Sponsor income	271,500	220,200
Total Operating Revenues	<u>2,783,571</u>	<u>2,800,411</u>
OPERATING EXPENSES		
Program services		
Derby, classic/challenge	534,699	565,442
Futurity	1,512,895	1,498,659
Summer circuit	189,545	237,903
Total Program Services	<u>2,237,139</u>	<u>2,302,004</u>
Support services		
Administration	499,579	511,906
Total Support Services	<u>499,579</u>	<u>511,906</u>
Total Operating Expenses	<u>2,736,718</u>	<u>2,813,910</u>
Operating Income (Loss)	46,853	(13,499)
NON OPERATING REVENUES (EXPENSES)		
Interest income	1,005	1,751
Other income	-	2
Change in Net Assets	<u>47,858</u>	<u>(11,746)</u>
Net Assets - Beginning	573,144	582,390
Prior Period Adjustment	-	2,500
Net Assets - Beginning, Restated	<u>573,144</u>	<u>584,890</u>
Net Assets - Ending	<u>\$ 621,002</u>	<u>\$ 573,144</u>

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, 2012
(With comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 2,747,740	\$ 2,795,836
Payments for operations	(2,475,124)	(2,596,746)
Payments to employees	(233,643)	(217,839)
Net Cash Provided (Used) by Operating Activities	<u>38,973</u>	<u>(18,749)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other income	-	2
Due from PCCHA Youth Fund	(338)	-
Due to PCCHA Youth Fund	5,720	(102)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>5,382</u>	<u>(100)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of note payable	(5,306)	(5,006)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(5,306)</u>	<u>(5,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	1,005	1,751
Net Cash Provided (Used) for Investing Activities	<u>1,005</u>	<u>1,751</u>
Net Increase (Decrease) in Cash and Cash Equivalents	40,054	(22,104)
Balances - Beginning of the Year	740,408	762,512
Balances - End of the Year	<u>\$ 780,462</u>	<u>\$ 740,408</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 46,853	\$ (13,499)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,769	14,029
(Increase) decrease in:		
Accounts receivable	(4,670)	21,695
Undeposited funds	7,187	(6,638)
Prepaid costs	(1,764)	279
Workers' compensation deposit	-	(570)
Increase (decrease) in:		
Accounts payable	19,460	(17,516)
Salaries and benefits payable	(4,782)	4,782
Sales tax payable	(121)	(14)
Accrued liabilities	1,389	(800)
Trainers fund	-	(864)
Unearned revenue	(38,348)	(19,633)
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,973</u>	<u>\$ (18,749)</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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pacific Coast Cutting Horse Association (Association) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to nonprofit entities. The more significant of the Association's accounting policies are described below.

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 Association territory and is dedicated to maintaining the standards of cutting and attracting new participants to the sport. The Association's support comes primarily from individual sponsor contributions, association dues, and competition entry fees.

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

B. Income Tax

The Association is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(7) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. However, the Association is taxed on non-business related income, primarily investment income and merchandise sales. The related federal and state income tax expense for the year was \$0.

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.

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations. The balance in unrestricted net assets represent the excess of assets over liabilities.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

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.

The Association reflected temporarily restricted net assets of \$250,000 designated by the Board of Directors as a reserve.

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, 2012, \$333,646 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, 2012, an allowance for doubtful accounts was not considered necessary.

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2012

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>
Structures and Improvements	39 years
Equipment	5-10 years

K. Compensated Absences

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

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

NOTE 2: CASH

As of December 31, 2012, the Association's cash consisted of the following:

Cash in Bank - Checking	\$ 282,912
Cash in Bank - Money Market	497,334
Imprest Cash	<u>216</u>
Total Cash	<u><u>\$ 780,462</u></u>

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2012

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2012:

Land	\$ 85,549
Buildings	441,683
Equipment	<u>73,339</u>
Total Property and Equipment	600,571
Less Accumulated Depreciation	<u>(158,346)</u>
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 442,225</u></u>

Depreciation expense of \$13,769 was charged to operations.

NOTE 4: UNEARNED REVENUE

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

At December 31,2012, components of unearned revenues were as follows:

Membership dues	\$ 15,850
Cutter checkoffs	185
Trainers income	3,743
Classified Ads	<u>290</u>
Unearned Revenue - Other	<u>20,068</u>
Stallion Service Auction	43,938
2013 Cutting Stakes	81,390
2013 Gelding Stakes	14,000
2014 Cutting Stakes	74,200
2016 Gelding Stakes	500
2017 Cutting Stakes	<u>2,650</u>
Unearned Revenue - Future Events	<u>216,678</u>
Total Unearned Revenue	<u><u>\$ 236,746</u></u>

PACIFIC COAST CUTTING HORSE ASSOCIATION
(A Non Profit Organization)
Notes to Financial Statements
December 31, 2012

NOTE 5: NOTE PAYABLE

Debt consists of one note payable to American River Bank, with variable interest of 6.95% at December 31, 2012, due in monthly payments of \$2,338, and a balloon payment due on December 1, 2015. The note is secured by the building and property.

Note Payable - American River Bank	\$ 319,034
Less current maturities	(6,152)
Long Term Portion	<u>\$ 312,882</u>

The following is a summary of principal maturities of the American River Bank note payable during the next three years based on the interest rate at December 31, 2012:

	<u>Total</u>
2013	\$ 6,152
2014	6,593
2015	<u>306,289</u>
Total	<u>\$ 319,034</u>

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2012 through April 1, 2013, 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, 2012
(With comparative totals for December 31, 2011)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Summer Circuit	Administration	Total 2012	Total 2011
OPERATING REVENUES						
Administration income	\$ -	\$ -	\$ -	\$ 35,787	\$ 35,787	\$ 32,458
Arena Signage	-	500	-	-	500	1,000
Auction income	3,464	-	-	-	3,464	3,689
Banquet income	9,150	-	1,500	-	10,650	11,450
Calcutta income	-	27,650	-	-	27,650	16,400
Vendor income	1,750	9,000	-	-	10,750	10,750
Dues	-	-	2,989	49,235	52,224	52,395
Entry fees	383,880	1,031,979	131,544	-	1,547,403	1,648,257
Other fees	56,574	346,864	29,402	136,646	569,486	549,283
Merchandise sales	-	-	-	4,690	4,690	5,426
Miscellaneous income	264	238	854	15,666	17,022	20,728
Practice income	31,900	127,375	14,325	-	173,600	171,515
RV space rental income	7,310	19,590	705	-	27,605	20,415
Special mailings	-	-	-	31,240	31,240	36,445
Sponsor income	46,250	136,300	10,000	78,950	271,500	220,200
Total Operating Revenues	540,542	1,699,496	191,319	352,214	2,783,571	2,800,411
OPERATING EXPENSES						
Advertising	1,834	8,761	186	2,837	13,618	8,886
Arena sand	5,616	11,928	1,407	-	18,951	15,696
Arena signage	387	1,051	-	-	1,438	3,824
Awards expense	15,865	40,657	7,669	66,881	131,072	142,044
Bad debt	-	-	-	2,823	2,823	4,263
Bank charges	-	-	-	11,318	11,318	15,095
Banquet	11,497	-	1,500	-	12,997	16,071
Business licenses	-	-	-	10	10	110
Calcutta expense	-	26,930	-	-	26,930	16,350
Cattle costs	78,617	198,583	48,978	-	326,178	346,777
Cattle hay expense	14,425	17,189	4,199	-	35,813	21,587
Charitable contributions	-	-	-	-	-	3,500
Contract labor	-	-	-	513	513	1,303
Cutter subscription	-	-	-	52,827	52,827	55,198
Depreciation	-	-	-	13,769	13,769	14,029
Drug assessments	1,675	3,350	925	-	5,950	6,240
Dues and subscriptions	-	-	-	1,814	1,814	2,829
Employee training	-	-	-	99	99	228
Equipment rent	7,252	6,955	311	8,827	23,345	21,559
Facility rent/setup	38,968	78,708	8,000	-	125,676	133,593
Ground maintenance	-	-	5,075	-	5,075	2,900
Insurance	-	-	-	12,317	12,317	11,225
Interest expense	-	-	-	22,750	22,750	23,085
Judges/escort fees	26,374	58,254	7,045	-	91,673	92,208
Meeting expense	-	-	-	2,633	2,633	3,029
Merchandise	-	-	-	5,007	5,007	6,076
Subtotal	202,510	452,366	85,295	204,425	944,596	967,705

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, 2012
(With comparative totals for December 31, 2011)

	Program Services			Support Services		
	Derby, Classic/ Challenge	Futurity	Summer Circuit	Administration	Total 2012	Total 2011
OPERATING EXPENSES						
(CONTINUED)						
NCHA fees	6,945	16,037	4,094	-	27,076	26,423
Office expense	2,862	4,204	1,741	10,047	18,854	17,637
PCCHA assessment	-	-	2,996	-	2,996	2,205
Postage and shipping	-	-	15	6,222	6,237	5,318
Professional fees	-	-	-	18,729	18,729	17,336
Promotions	536	974	-	-	1,510	2,127
Property taxes	-	-	-	2,844	2,844	3,100
Purses	293,250	954,385	71,892	-	1,319,527	1,381,151
Repairs and maintenance	-	1,684	-	8,517	10,201	743
Salaries and benefits	-	-	1,913	226,948	228,861	222,621
Security	841	2,579	-	468	3,888	3,834
Show staff	21,583	42,338	4,813	-	68,734	74,048
Sponsorship costs	1,272	9,713	30	1,914	12,929	12,705
Stall rent	600	19,080	14,200	-	33,880	35,875
Telephone	-	-	-	7,134	7,134	7,148
Utilities	-	-	-	4,688	4,688	4,355
Video expense	3,700	7,945	2,556	-	14,201	14,690
Website	600	1,590	-	7,643	9,833	14,889
Total Operating Expenses	534,699	1,512,895	189,545	499,579	2,736,718	2,813,910
Operating Income (Loss)	5,843	186,601	1,774	(147,365)	46,853	(13,499)
NON OPERATING REVENUES						
(EXPENSES)						
Interest income	-	-	-	1,005	1,005	1,751
Other income	-	-	-	-	-	2
Change in Net Assets	\$ 5,843	\$ 186,601	\$ 1,774	\$ (146,360)	\$ 47,858	\$ (11,746)

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, 2012

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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