National Cutting Horse Association and Affiliate

Consolidated Financial Statements
September 30, 2025 and 2024

SFC
Certified Public Accountants

National Cutting Horse Association and Affiliate
Contents

Independent Auditors' Report

To the Board of Directors and Management of
National Cutting Horse Association

Opinion

We have audited the accompanying consolidated financial statements of National Cutting Horse Association and Affiliate (nonprofit organizations) (Association), which comprise the consolidated statements of financial position as of September 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 20, 2026

National Cutting Horse Association and Affiliate
Consolidated Statements of Financial Position
September 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash	$ 2,067,870	$ 3,384,504
Restricted cash - PAC	33,087	31,481
Investments	25,890,277	18,724,168
Accounts receivable	884,904	813,849
Accounts receivable - State of Texas incentives	1,427,795	2,175,607
Accounts receivable - related party	39,182	19,453
Prepaid expenses	733,070	500,801
Total current assets	31,076,185	25,649,863
Property and equipment, net	1,248,023	1,289,969
Total assets	$ 32,324,208	$ 26,939,832
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 841,789	$ 800,394
Deferred revenue for future shows	4,698,136	4,299,792
Deferred revenue for stallion/foal fees	3,668,950	3,307,150
Deferred membership dues	102,783	133,453
Deferred sponsorship revenue	870,922	681,434
Total liabilities	10,182,580	9,222,223
Net assets:		
Net asset without donor restrictions:		
Undesignated	21,647,409	17,260,343
Board designated for youth fund	409,695	374,348
Total net assets without donor restrictions	22,057,104	17,634,691
Net assets with donor restrictions	84,524	82,918
Total net assets	22,141,628	17,717,609
Total liabilities and net assets	$ 32,324,208	$ 26,939,832

See notes to consolidated financial statements.

National Cutting Horse Association and Affiliate
Consolidated Statements of Activities
Years Ended September 30, 2025 and 2024

	2025	2024
Changes in net assets without donor restrictions:		
Revenue and support:		
Shows and related activities	$ 28,989,205	$ 27,134,926
Affiliate and independent producers activities	2,036,070	2,030,555
Promotion and development	1,239,431	1,188,337
Member services	921,040	715,110
Contributions of nonfinancial assets	342,048	434,937
Other income	145,209	171,279
Investment income, net	1,552,782	2,311,727
Total revenue and support	35,225,785	33,986,871
Net assets released from restrictions:		
Satisfaction of donor restriction	268,080	337,796
Total revenue and support, net	35,493,865	34,324,667
Expenses:		
Member services	1,248,125	1,320,328
Events	25,523,323	24,719,968
General and administrative	3,177,064	3,226,124
Promotion and development	1,122,940	1,217,485
Total expenses	31,071,452	30,483,905
Change in net assets without donor restrictions	4,422,413	3,840,762
Changes in net assets with donor restrictions:		
PAC contributions	269,686	261,796
Net assets released from restrictions	(268,080)	(337,796)
Change in net assets with donor restrictions	1,606	(76,000)
Change in net assets	4,424,019	3,764,762
Net assets at beginning of year	17,717,609	13,952,847
Net assets at end of year	$ 22,141,628	$ 17,717,609

See notes to consolidated financial statements.

National Cutting Horse Association and Affiliate
Consolidated Statement of Functional Expenses
Year Ended September 30, 2025

	Program					
	Member Services	Events	Total Program	General and Administrative	Promotion and Development	Total Expenses
Salaries, taxes & benefits	$582,348	$531,530	$ 1,113,878	$1,489,477	$369,397	$ 2,972,752
Awards	-	2,081,786	2,081,786	1,891	-	2,083,677
Cattle	-	3,667,983	3,667,983	-	-	3,667,983
Contract labor	-	1,998	1,998	247,675	16,122	265,795
Committees	-	-	-	45,988	-	45,988
Convention	320,969	-	320,969	-	-	320,969
Depreciation	-	-	-	107,998	-	107,998
Dues and subscriptions	3,017	14,135	17,152	21,383	17,345	55,880
Facility	-	2,259,718	2,259,718	-	-	2,259,718
Insurance	-	4,823	4,823	201,090	-	205,913
Judges and show staff expenses	162,420	1,820,694	1,983,114	-	-	1,983,114
Marketing	9,394	523,844	533,238	2,757	231,139	767,134
Other	-	-	-	30,067	-	30,067
PAC lobbying and contributions	-	-	-	268,080	-	268,080
Printing and postage	57,033	10,115	67,148	5,201	67,017	139,366
Producer subsidies	-	185,070	185,070	-	-	185,070
Professional fees	-	87,750	87,750	392,959	179,005	659,714
Premiums	-	14,195,770	14,195,770	-	-	14,195,770
Rent	-	-	-	52,308	400	52,708
Repairs and maintenance	-	-	-	68,951	-	68,951
Special projects	98,096	17,557	115,653	-	231,146	346,799
Supplies	3,524	69,289	72,813	15,274	2,656	90,743
Taxes	-	-	-	52,965	-	52,965
Technology and software	-	47,459	47,459	93,699	-	141,158
Travel	11,324	3,802	15,126	10,953	8,713	34,792
Utilities	-	-	-	68,348	-	68,348
	$ 1,248,125	$ 25,523,323	$ 26,771,448	$ 3,177,064	$ 1,122,940	$ 31,071,452

See notes to consolidated financial statements.

National Cutting Horse Association and Affiliate
Consolidated Statement of Functional Expenses
Year Ended September 30, 2024

	Program					
	Member Services	Events	Total Program	General and Administrative	Promotion and Development	Total Expenses
Salaries, taxes and benefits	$ 537,715	$ 545,973	$ 1,083,688	$ 1,412,821	$ 392,907	$ 2,889,416
Awards	-	2,063,928	2,063,928	-	-	2,063,928
Cattle	-	3,444,593	3,444,593	-	-	3,444,593
Contract labor	20,663	2,682	23,345	259,491	45,469	328,305
Committees	10,554	-	10,554	59,079	-	69,633
Convention	344,164	-	344,164	-	-	344,164
Depreciation	-	-	-	108,506	-	108,506
Dues and subscriptions	2,204	11,277	13,481	8,618	14,486	36,585
Facility	-	2,084,363	2,084,363	-	-	2,084,363
Insurance	-	8,847	8,847	191,252	-	200,099
Judges and show staff expenses	178,205	1,677,702	1,855,907	-	-	1,855,907
Marketing	23,495	533,979	557,474	6,000	217,974	781,448
Other	-	-	-	40,177	-	40,177
PAC lobbying and contributions	-	-	-	337,796	-	337,796
Printing and postage	56,565	15,239	71,804	6,260	54,939	133,003
Producer subsidies	-	168,000	168,000	-	-	168,000
Professional fees	-	113,015	113,015	319,991	221,150	654,156
Premiums	-	13,902,055	13,902,055	-	-	13,902,055
Rent	-	-	-	146,320	-	146,320
Repairs and maintenance	-	5,292	5,292	69,001	-	74,293
Special projects	123,097	18,446	141,543	-	248,959	390,502
Supplies	8,747	76,680	85,427	21,021	2,466	108,914
Taxes	-	-	-	53,512	-	53,512
Technology and software	-	43,149	43,149	106,281	-	149,430
Travel	14,919	4,748	19,667	14,758	19,135	53,560
Utilities	-	-	-	65,240	-	65,240
	$ 1,320,328	$ 24,719,968	$ 26,040,296	$ 3,226,124	$ 1,217,485	$ 30,483,905

See notes to consolidated financial statements.

National Cutting Horse Association and Affiliate
Consolidated Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 4,424,019	$ 3,764,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,998	108,506
Realized and unrealized gains on investments	(955,715)	(1,765,085)
Loss on sales of property and equipment	3,143	-
Changes in assets and liabilities:		
Accounts receivable	(71,055)	(478,368)
Accounts receivable - State of Texas incentives	747,812	(148,918)
Accounts receivable - related party	(19,729)	(10,014)
Prepaid expenses	(232,269)	21,436
Accounts payable and accrued liabilities	41,395	404,737
Deferred revenue for future shows	398,344	342,498
Deferred revenue for stallion/foal fees	361,800	232,450
Deferred membership dues	(30,670)	(43,971)
Deferred sponsorship revenue	189,488	244,679
Net cash provided by operating activities	4,964,561	2,672,712
Cash flows from investing activities:		
Proceeds from sales of investments	19,556,868	26,261,693
Purchases of investments	(25,767,262)	(27,514,267)
Proceeds from sales of property and equipment	8,657	-
Purchases of property and equipment	(77,852)	(60,872)
Net cash used by investing activities	(6,279,589)	(1,313,446)
Cash flows from financing activities:		
Repayment of note payable	-	(493)
Net change in cash	(1,315,028)	1,358,773
Cash at beginning of year	3,415,985	2,057,212
Cash at end of year	$ 2,100,957	$ 3,415,985
Reconciliation of cash and restricted cash reported within the consolidated statements of financial position to the consolidated statements of cash flows:		
Cash	$ 2,067,870	$ 3,384,504
Restricted cash - PAC	33,087	31,481
Total cash and restricted cash shown in the consolidated statements of cash flows	$ 2,100,957	$ 3,415,985

See notes to consolidated financial statements.

1. Organization

The National Cutting Horse Association (NCHA) is a not-for-profit organization incorporated under the laws of the state of Texas. The purpose of NCHA is to encourage the development of, and public interest in, livestock and ranching through the promotion and sponsorship of public cutting horse contests, the public exhibition of cutting horses in conjunction with cattle and livestock, and the presentation and participation of cutting horse events in other general livestock exhibitions, shows, and expositions. NCHA also sets standards for cutting horse contests; standardizes the election and appointment of judges and directors for such contests, exhibitions, and expositions; and, encourages the development and breeding of finer cutting horses. NCHA's corporate offices are located in Fort Worth, Texas. NCHA is primarily supported by shows and related activities revenue.

NCHA's Texas Events Political Action Committee (PAC) was formed in 2008 giving NCHA a vehicle to make political contributions to selected candidates and lobbyists. These political contributions are subject to the PAC's adopted policies along with certain legal restrictions of the Federal Election Commission. The NCHA Executive Committee serves as the board of the PAC.

NCHA and the PAC are collectively referred to herein as the Association.

2. Summary of Significant Accounting Policies

The accounting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies of the Association are described below.

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of NCHA and the PAC. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The Association prepares the consolidated financial statements on the accrual basis of accounting.

Consolidated Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Association and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Association to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of September 30, 2025 and 2024, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, investments and accounts receivable. The Association places cash, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. The Association has not experienced losses on such assets. At September 30, 2025 the Association’s uninsured bank balances totaled $1,834,094.

Accounts receivable are unsecured and are continually evaluated by the Association for collectability. Allowances for potential losses are maintained, if considered necessary. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

A substantial portion of the Association’s revenue is dependent on membership dues and support from venue management organizations in the United States. As such, economic cycles, government legislation and trends in the venue management community may have an impact on revenue and support of the Association.

Investments

Investments in marketable equity securities are recorded at their fair values in the accompanying consolidated statements of financial position. Changes in the fair values are reported in the consolidated statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of investments are included in the consolidated statements of activities.

The Association's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Association's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

Accounts Receivable

Accounts receivable are comprised primarily of amounts due under sponsorship agreements and advertising from the Association's magazine, The Cutting Horse Chatter, which are based on agreed-upon prices, as well as amounts due for the state of Texas incentives. The Association provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal accounts receivable are due 30 days after the issuance of the invoice. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on an individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment have been recorded at acquisition cost. It is the Association's policy to capitalize property and equipment purchases over $1,000. Lesser amounts are expensed. Maintenance, repairs, and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of assets retired and the related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting gain or loss is reflected in the consolidated statements of activities and changes in net assets of the respective period.

The Association follows the provisions of GAAP for the capitalizations of the costs incurred for computer software developed or obtained for internal use. The Association expenses all costs incurred during the preliminary project stage of its development, and capitalizes the costs incurred during the application development stage.

Costs incurred relating to upgrades and enhancements to the software are capitalized if it is determined that these upgrades or enhancements add additional functionality to the software.

Costs incurred to improve and support products after they become available are charged to expenses as incurred.

Depreciation and amortization are computed using the straight-ling method over the estimated useful lives of the assets, which are as follows:

Buildings and improvements	5 – 39 years
Automobile and trailers	5 – 7 years
Furniture and equipment	3 – 10 years
Software	3 years

Donations of property and equipment are recorded as support at their estimated fair value at the time of receipt. Such donations are reported as unrestricted support unless the donor has restricted the 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 support. Absent stipulations regarding how long such donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at such time.

Collections

The Association's collections are comprised of artifacts of historical significance or art objects, which have been acquired through various contributions from donors since the inception of the Association. The collections are not recognized as assets in the accompanying consolidated statements of financial position. Proceeds from the deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Revenue Recognition

Membership dues are recognized as revenue during the applicable membership period. Show fees, entry fees, event ticket sales and exhibit fees are recognized as revenue in the period the event his held. Membership dues and registration revenue received before year-end and relating to the next fiscal year are classified as deferred revenue in the consolidated statements of financial position. Sponsorship revenue is recognized as the contract terms are satisfied.

The Association recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Income Taxes

The majority of activities of NCHA are exempt from federal income taxes under section 501(c)(5) of the Internal Revenue Code (IRC). Activities of the PAC are exempt from federal income taxes under section 527 of the IRC. However, some activities of the Association are subject to federal income taxes under unrelated business income rules. Neither NCHA or the PAC had material amounts of unrelated business income for the years ended September 30, 2025 and 2024.

GAAP requires the evaluation of tax positions taken in the course of preparing the Association's tax returns and recognition of a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association, and has concluded that as of September 30, 2025 and 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated between member services, events, general and administrative and promotion and development based on management's judgment considering time spent or direct relation to the program or support service benefited.

Advertising Costs

Advertising costs are expensed as incurred and totaled $282,054 and $293,421 for the years ended September 30, 2025 and 2024, respectively.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

3. Restricted Cash - PAC

The PAC maintains a separate bank account for political contributions and the balance is reported as restricted cash in the attached consolidated statements of financial position. PAC restricted cash as of September 30, 2025 and 2024 totaled $33,087 and $31,481, respectively. The PAC activity is reported as net assets with donor restrictions.

4. Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 Inputs to the valuation methodology are quoted prices available in active markets;

Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable;

Level 3 Inputs to the valuation methodology are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money market fund is valued using $1 for the net asset value.

Mutual funds are valued at the closing price reported on the active markets on which the individual securities are traded.

Corporate bonds are valued by a third-party pricing source using pricing models maximizing the use of observable inputs for same or similar securities. This includes basing value on yields currently available on same or comparable securities issued with similar credit ratings.

U.S. government securities are valued by a third-party pricing source using pricing models maximizing the use of observable inputs for same or similar securities.

All investments help by the Associations are level 1.

The following table details the fair value hierarchy for investments measured at fair value as of September 30:

	2025	2024
Money market fund	$ 2,375,709	$ 3,645,056
Mutual funds - bonds	5,139,378	4,031,287
Mutual funds - equities:		
Growth	2,239,114	2,373,901
Large blend	1,928,698	1,324,859
Large cap	1,939,317	-
Mid-cap	1,075,169	929,292
Large value	538,770	1,948,488
Small value	258,354	243,739
Emerging markets	446,578	273,161
U.S. government securities	9,949,190	3,954,385
Total investments	$ 25,890,277	$ 18,724,168

Net investment income consists of the following for the years ended September 30:

	2025	2024
Dividends and interest	$ 679,506	$ 617,307
Realized investment gains	684,765	368,897
Unrealized gains on investments	270,950	1,396,188
Less: investment fees	(82,439)	(70,665)
	$ 1,552,782	$ 2,311,727

During the years ended September 30, 2025 and 2024, there were no investments of concentration greater than 10%.

5. Property and Equipment

Property and equipment consists of the following at September 30:

	2025	2024
Land	$ 139,788	$ 139,788
Buildings and improvements	2,438,438	2,429,239
Automobiles and trailers	85,706	85,706
Furniture and equipment	1,215,068	1,162,474
Software	2,473,360	2,473,360
Total property and equipment	6,352,360	6,290,567
Accumulated depreciation	(5,104,337)	(5,000,598)
Net property and equipment	$ 1,248,023	$ 1,289,969

For the years ended September 30, 2025 and 2024, the Association incurred depreciation expense of $107,998 and $108,506, respectively.

6. Note Payable

The Association entered into a promissory note with a bank requiring monthly payments of principal totaling $493 through November 2023. The note accrues interest at 0% and is collateralized by a vehicle. The balance of the note payable was fully paid as of September 30, 2024.

7. Board Designated Net Assets

Net assets without donor restrictions totaling $409,695 and $374,348 as of September 30, 2025 and 2024, respectively, have been designated by the board of directors for the youth fund.

8. Net Assets With Donor Restriction

Net assets with donor restrictions as of September 30, 2025 and 2024 are designated for PAC-related expenditures.

9. Major Events Reimbursement Program

The Major Events Reimbursement Program (MERP) is designed to provide reimbursement for specific expenses incurred in the production of the Triple Crown events. Based on approved applications, the State of Texas provides incentives to the City of Fort Worth for certain qualifying Association events held in the Fort Worth area. The City of Fort Worth, in turn, provides incentives to the Association for the purpose of enhancing Association shows that qualify for the state incentives.

During the years ended September 30, 2025 and 2024, the Association received $3,260,931 and $2,402,093, respectively. This revenue is included in shows and related activities on the accompanying consolidated statements of activities. As of September 30, 2025 and 2024, the Association had receivables related to state incentive reimbursements totaling $1,427,795 and $2,175,607, respectively.

10. Defined Contribution Plan

The Association sponsors a defined contribution salary deferral plan (Deferred Plan) covering substantially all employees. Employees can make voluntary contributions. The Association matches 100% of employee contributions up to 3% of the employee's eligible compensation plus a 50% matching contribution on any additional salary deferrals above 3% up to 5% of eligible compensation. The Association, at its discretion, may also contribute an additional amount, as it deems necessary. During the years ended September 30, 2025 and 2024, the Association made matching contributions of approximately $64,000 and $62,000, respectively. The Association made no discretionary contributions to the Deferred Plan during the years ended September 30, 2025 and 2024.

11. Stallion/Foal Deferred Revenue

In 2011, a stallion/foal fees incentive program replaced the previous stallion subscription program for the Super Stakes. Stallions are required to subscribe the year before the breeding season, which is six years prior to the first Super Stakes in which the resulting foals would be eligible to compete.

The stallion fee chart is below:

Stallion/Foal fees incentive program

First Time Subscriber - Prior to November 30th prior to the Breeding year	$ 1,600
Prior to November 30th of the Breeding Year	2,600
November 30th thorugh December 31st of the Breeding year	3,600
January 1st through December 31st of foals' Weanling year	4,600
January 1st through December 31st of foals' Yearling year	6,000
Januar 1st through December 31st of foals' Two-year-old Year	7,500
January 1st through December 31st of foals' Three-year-old Year and above	10,000

Foals are also required to be nominated in the new program in order to compete in the Super Stakes. The foal nomination fee chart is below:

Super Stakes program

Weanling Year on or before December 31st	$ 250
Yearling Year on or before December 31st	1,000
Two-year-old Year on or before December 31st	2,500
Three-year-old Year or older before December 31st	5,000

Stallion subscription fees and foal nomination fees are held as deferred revenue and will be disbursed into the first show year of eligibility for the foals at age 4.

The following table shows the detail of the stallion/foal deferred revenue at September 30:

	2025	2024
Stallion fees collected for the 2025 Super Stakes	$ -	$ 298,200
Stallion fees collected for the 2026 Super Stakes	327,400	319,900
Stallion fees collected for the 2027 Super Stakes	275,600	274,000
Stallion fees collected for the 2028 Super Stakes	310,000	279,200
Stallion fees collected for the 2029 Super Stakes	313,600	289,800
Stallion fees collected for the 2030 Super Stakes	316,000	16,200
Stallion fees collected for the 2031 Super Stakes	4,200	-
Total stallion fees collected	1,546,800	1,477,300

	2025	2024
Foal fees collected for the 2025 Super Stakes	$ -	$ 602,400
Foal fees collected for the 2026 Super Stakes	688,600	565,900
Foal fees collected for the 2027 Super Stakes	771,050	606,050
Foal fees collected for the 2028 Super Stakes	615,000	55,500
Foal fees collected for the 2029 Super Stakes	47,500	-
Total foal fees collected	2,122,150	1,829,850
Deferred revenue for stallion/foal fees	$ 3,668,950	$ 3,307,150

12. Other Deferred Revenue

Other deferred revenue consists of revenue for future shows, membership dues and sponsorship revenue.

The following table provides information about changes in other deferred revenue as of September 30, 2025:

	Future Shows	Membership Dues	Sponsorship Revenue	Total
Deferred revenue, beginning of year	$ 4,299,792	$ 133,453	$ 681,434	$ 5,114,679
Revenue recognized that was included in deferred revenue at the beginning of the year	(4,299,792)	(133,453)	(681,434)	(5,114,679)
Increase in deferred revenue due to cash received during the year for subsequent year services	4,698,136	102,783	870,922	5,671,841
Deferred revenue, end of year	$ 4,698,136	$ 102,783	$ 870,922	$ 5,671,841

The following table provides information about changes in other deferred revenue as of September 30, 2024:

	Future Shows	Membership Dues	Sponsorship Revenue	Total
Deferred revenue, beginning of year	$ 3,957,294	$ 177,424	$ 436,755	$ 4,571,473
Revenue recognized that was included in deferred revenue at the beginning of the year	(3,957,294)	(177,424)	(436,755)	(4,571,473)
Increase in deferred revenue due to cash received during the year for subsequent year services	4,299,792	133,453	681,434	5,114,679
Deferred revenue, end of year	$ 4,299,792	$ 133,453	$ 681,434	$ 5,114,679

13. Line-of-Credit Agreement

In August 2018, the Association entered into a line-of-credit agreement with a financial institution in the amount of $2,000,000. This line of credit expires in September 2026, bears interest at prime rate as published in the Wall Street Journal (6.25% at September 30, 2025), and is secured by certain investment accounts also held at the financial institution. No amounts were due under the line at September 30, 2025 and 2024.

14. National Affiliates

The Association receives a percentage of gross entry fees from national affiliates from their cutting horse contests. During the years ended September 30, 2025 and 2024, respectively, the Association received fees of approximately $2,007,194 and $1,996,000 from these affiliates. Expenses related to these affiliate contests for the years ended September 30, 2025 and 2024 totaled approximately $1,253,000 and $1,166,000, respectively.

The Association pays insurance costs on behalf of the affiliates, which totaled approximately $30,000 for the years ended September 30, 2025 and 2024.

15. Related-Party Transactions

NCHA Charities Foundation (Foundation) is a 501(c)(3) charitable organization that supports and benefits the Association by, among other things, maintaining scholarship funds, providing crisis funding in accordance with guidelines adopted by the board of directors of the Foundation, developing educational and animal welfare programs, and otherwise assisting with the charitable purposes of the Association.

At September 30, 2025 and 2024, respectively, the Association had a receivable of approximately $40,000 and $20,000, respectively, due from the Foundation relating to reimbursement of costs, which is included in accounts receivable – related party in the accompanying consolidated statements of financial position.

16. Contributed Nonfinancial Assets

The Association received contributions of nonfinancial assets of goods totaling $342,048 and $434,937 during the years ended September 30, 2025 and 2024, respectively. The amounts were fully allocated to program services and there were no donor restrictions related to these contributions. The value was based on the fair market value of similar goods for sale online (or exact items if available).

17. Commitments and Contingencies

From time to time, the Association is involved in various lawsuits and claims arising in the normal course of business. In management's opinion, the ultimate outcome of these items will not have a material adverse effect on the Association's consolidated financial position or results of operations.

Office Equipment Leases

The Association leases certain office equipment under operating leases which mature in 2028. Rental expense under these leases approximated $50,000 and $42,000 for the years ended September 30, 2025 and 2024, respectively. Future minimum lease payments consist of the following amounts for the years ended September 30:

2026	41,172
2027	41,172
2028	35,441
2029	34,920
Thereafter	43,650
	$ 196,355

Facility Rental Agreement

The Association has an agreement with the City of Fort Worth for event space rental through a ten-year service contract, which matures in December 2028, for the purpose of holding the Super Stakes and Super Stakes Classic, Summer Cutting Spectacular, World Championship Futurity, and World Finals events each year. The amounts paid for the facilities rental under the service contract totaled approximately $1,385,000 and $1,412,000 during the years ended September 30, 2025 and 2024, respectively.

Future minimum payments consist of the following amounts for the years ended September 30:

2026	505,310
2027	515,310
2028	525,310
2029	238,410
	$ 1,784,340

Horse Auction Royalties

During 2011, the Association entered into an agreement with Western Bloodstock, Ltd (WB), which was extended through July 15, 2031. WB is the exclusive auction provider for all horse sales during events produced by the Association. In connection with the agreement, WB pays the Association the greater of 4% of annual gross sales, as defined by the agreement, or $500,000, and also reimburses the Association for various expenses incurred in connection with the sale of horses. During the years ended September 30, 2025 and 2024, the Association received approximately $1,672,000 and $1,474,000, respectively, from WB in connection with the horse sales each year. These horse auction royalties are recorded in show and related activities revenue in the accompanying consolidated statements of activities.

18. Liquidity and Availability of Resources

The Association's financial assets available within one year of the consolidated statements of financial position date of September 30, 2025 and 2024 for general expenditures are as follows:

	2025	2024
Cash	$ 2,067,870	$ 3,384,504
Restricted cash - PAC	33,087	31,481
Investments	25,890,277	18,724,168
Accounts receivable	884,904	813,849
Accounts receivable - State of Texas incentives	1,427,795	2,175,607
Accounts receivable - related party	39,182	19,453
Total financial assets	30,343,115	25,149,062
Less amounts unavailable for general expenditures within one year, due to:		
Entry fees/sponsorships for future shows	5,569,058	4,981,226
Stallion/Foal program	3,668,950	3,307,150
Board-designated youth fund	409,695	374,348
Donor restricted net assets for PAC expenditures	84,524	82,918
Financial assets not available for general expenditures	9,732,227	8,745,642
Total financial assets available to meet cash needs for general expenditures within one year	$ 20,610,888	$ 16,403,420

The Association manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and ensure financial assets are available as its general expenditures, liabilities and other obligations come due. During the years ended September 30, 2025 and 2024, the level of liquidity was managed within the Association's expectations.

19. Subsequent Events

Management has evaluated subsequent events through August 20, 2026, the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.