

SADDLE UP!

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2017
and 2016*

And Report of Independent Auditor

SADDLE UP!
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Report of Independent Auditor

Board of Directors
Saddle Up!
Franklin, Tennessee

We have audited the accompanying financial statements of Saddle Up! (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saddle Up! as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated April 25, 2017 expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
July 27, 2018

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,334,498	\$ 1,444,956
Accounts and pledges receivable	896	3,056
Prepaid expenses	4,647	-
Total Current Assets	<u>1,340,041</u>	<u>1,448,012</u>
Investments	4,746,703	4,026,668
Property and equipment, net of accumulated depreciation of \$1,416,501 and \$1,325,360, respectively	<u>2,412,461</u>	<u>2,476,828</u>
Total Assets	<u><u>\$ 8,499,205</u></u>	<u><u>\$ 7,951,508</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 9,089	\$ 10,462
Accrued expenses	15,598	22,500
Deferred revenue	3,235	2,730
Total Current Liabilities	<u>27,922</u>	<u>35,692</u>
Net Assets:		
Unrestricted:		
Undesignated	3,621,525	3,770,217
Designated	4,016,458	3,324,613
Temporarily restricted	850	13,536
Permanently restricted	<u>832,450</u>	<u>807,450</u>
Total Net Assets	<u>8,471,283</u>	<u>7,915,816</u>
Total Liabilities and Net Assets	<u><u>\$ 8,499,205</u></u>	<u><u>\$ 7,951,508</u></u>

SADDLE UP!
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Gains:				
Contributions and grants, including unrestricted in-kind contributions of \$44,115	\$ 586,859	\$ 28,200	\$ 25,000	\$ 640,059
Special events	293,620	-	-	293,620
Realized and unrealized gains on investments	487,241	-	-	487,241
Lesson fees, net of scholarships applied of \$11,845	159,316	-	-	159,316
Interest and dividends, net of fees of \$17,805	101,393	-	-	101,393
Donated services	14,647	-	-	14,647
Clinics and seminars	9,150	-	-	9,150
Other income	523	-	-	523
Loss on disposal of property and equipment	(4,635)	-	-	(4,635)
	<u>1,648,114</u>	<u>28,200</u>	<u>25,000</u>	<u>1,701,314</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	40,886	(40,886)	-	-
Total Revenues and Gains	<u>1,689,000</u>	<u>(12,686)</u>	<u>25,000</u>	<u>1,701,314</u>
Expenses:				
Horse-based programs	851,269	-	-	851,269
Management and general	67,341	-	-	67,341
Fundraising	227,237	-	-	227,237
Total Expenses	<u>1,145,847</u>	<u>-</u>	<u>-</u>	<u>1,145,847</u>
Change in net assets	543,153	(12,686)	25,000	555,467
Net assets, beginning of year	<u>7,094,830</u>	<u>13,536</u>	<u>807,450</u>	<u>7,915,816</u>
Net assets, end of year	<u>\$ 7,637,983</u>	<u>\$ 850</u>	<u>\$ 832,450</u>	<u>\$ 8,471,283</u>

SADDLE UP!
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Gains:				
Contributions and grants, including unrestricted in-kind contributions of \$53,303	\$ 579,275	\$ 46,304	\$ 555,050	\$ 1,180,629
Special events	303,029	-	-	303,029
Realized and unrealized gains on investments	226,553	-	-	226,553
Lesson fees, net of scholarships applied of \$11,985	163,680	-	-	163,680
Interest and dividends, net of fees of \$14,317	36,088	-	-	36,088
Donated services	20,286	-	-	20,286
Clinics and seminars	6,200	-	-	6,200
Other income	462	-	-	462
Loss on disposal of property and equipment	(8,410)	-	-	(8,410)
	<u>1,327,163</u>	<u>46,304</u>	<u>555,050</u>	<u>1,928,517</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	38,263	(38,263)	-	-
Total Revenues and Gains	<u>1,365,426</u>	<u>8,041</u>	<u>555,050</u>	<u>1,928,517</u>
Expenses:				
Horse-based programs	822,509	-	-	822,509
Management and general	65,600	-	-	65,600
Fundraising	209,320	-	-	209,320
Total Expenses	<u>1,097,429</u>	<u>-</u>	<u>-</u>	<u>1,097,429</u>
Change in net assets	267,997	8,041	555,050	831,088
Net assets, beginning of year	<u>6,826,833</u>	<u>5,495</u>	<u>252,400</u>	<u>7,084,728</u>
Net assets, end of year	<u>\$ 7,094,830</u>	<u>\$ 13,536</u>	<u>\$ 807,450</u>	<u>\$ 7,915,816</u>

The accompanying notes to the financial statements are an integral part of this statement.

SADDLE UP!**STATEMENT OF FUNCTIONAL EXPENSES***YEAR ENDED DECEMBER 31, 2017*

	Horse-Based Programs	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 526,079	\$ 35,774	\$ 137,307	\$ 173,081	\$ 699,160
Depreciation	99,773	11,086	-	11,086	110,859
Fundraisers, including in-kind expenses of \$24,515	596	-	77,718	77,718	78,314
Insurance	63,478	1,520	-	1,520	64,998
Horse lessons and camps, including in-kind expenses of \$14,647	57,129	494	81	575	57,704
Repairs/maintenance and vehicles	31,678	-	96	96	31,774
Utilities	24,980	-	291	291	25,271
Technology in-kind	11,250	-	3,750	3,750	15,000
Professional fees	1,424	13,175	-	13,175	14,599
Other	6,946	4,338	1,673	6,011	12,957
Conferences and seminars	9,875	227	1,216	1,443	11,318
Office supplies	5,601	491	3,286	3,777	9,378
Grant expenses	8,350	-	-	-	8,350
Promotional expense	4,110	236	1,819	2,055	6,165
	<u>\$ 851,269</u>	<u>\$ 67,341</u>	<u>\$ 227,237</u>	<u>\$ 294,578</u>	<u>\$ 1,145,847</u>

The accompanying notes to the financial statements are an integral part of this statement.

SADDLE UP!**STATEMENT OF FUNCTIONAL EXPENSES***YEAR ENDED DECEMBER 31, 2016*

	Horse-Based Programs	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 515,963	\$ 35,351	\$ 104,574	\$ 139,925	\$ 655,888
Depreciation	96,563	10,729	-	10,729	107,292
Fundraisers, including in-kind expenses of \$25,563	-	-	88,090	88,090	88,090
Horse lessons and camps, including in-kind expenses of \$20,286	55,693	-	-	-	55,693
Insurance	48,561	1,542	-	1,542	50,103
Utilities	27,698	-	-	-	27,698
Repairs/maintenance and vehicles	26,242	-	-	-	26,242
Technology in-kind	11,047	3,015	3,878	6,893	17,940
Grant expenses	10,911	932	3,700	4,632	15,543
Professional fees	4,304	9,094	823	9,917	14,221
Miscellaneous	7,758	2,117	2,723	4,840	12,598
Promotional expense	7,131	-	2,746	2,746	9,877
Conferences and seminars	7,563	600	150	750	8,313
Office supplies	3,075	2,220	2,636	4,856	7,931
	<u>\$ 822,509</u>	<u>\$ 65,600</u>	<u>\$ 209,320</u>	<u>\$ 274,920</u>	<u>\$ 1,097,429</u>

The accompanying notes to the financial statements are an integral part of this statement.

SADDLE UP!
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 555,467	\$ 831,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,859	107,292
Donated property and equipment	(4,600)	(9,800)
Contributions to permanently restricted net assets	(25,000)	(555,050)
Loss on disposal of property and equipment	4,635	8,410
Realized and unrealized gains on investments	(487,227)	(226,553)
Reinvested dividend income, net of investment fees	(92,795)	(31,760)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	2,160	277
Prepaid expenses	(4,647)	-
Accounts payable	(1,373)	5,344
Accrued expenses	(6,902)	12,301
Deferred revenue	505	(7,837)
Net cash provided by operating activities	<u>51,082</u>	<u>133,712</u>
Cash flows from investing activities:		
Proceeds from sale of investments	927,877	613,199
Purchase of investments	(1,067,892)	(1,268,249)
Purchase of property and equipment	(46,528)	(23,560)
Net cash used in investing activities	<u>(186,543)</u>	<u>(678,610)</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	25,000	555,050
Net cash provided by financing activities	<u>25,000</u>	<u>555,050</u>
(Decrease) increase in cash and cash equivalents	(110,461)	10,152
Cash and cash equivalents, beginning of year	1,444,956	1,434,804
Cash and cash equivalents, end of year	<u>\$ 1,334,495</u>	<u>\$ 1,444,956</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ 4,600</u>	<u>\$ 9,800</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of business and significant accounting policies

Saddle Up! (the "Organization") is organized as a Tennessee not-for-profit corporation. The Organization serves to provide children and youth with disabilities the opportunity to grow and develop through therapeutic, educational, and recreational activities with horses.

The Organization's significant accounting policies are as follows:

Financial Statement Presentation – In accordance with generally accepted accounting principles ("GAAP"), the Organization 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. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

Contributions – In accordance with GAAP, contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization generally reports the support as unrestricted.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Property and Equipment – Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Assets purchased, or donated, with a value over \$500 are capitalized. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all classes of assets are as follows:

Buildings	40 years
Arena	40 years
Equipment and improvements	2-20 years
Horses	2-7 years

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of business and significant accounting policies (continued)

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows GAAP that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Donated Assets and Services – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets 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 donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization receives donated services which help to maintain the health and well-being of the horses, such as veterinarian and farrier services. Donated materials and services meeting the criteria for recognition are reflected as contributions in the accompanying statements of activities at their estimated values at date of receipt.

Unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the years ended December 31, 2017 and 2016, volunteers provided approximately 15,600 and 16,100 hours of service, respectively. The value of contributed time is not reflected in the accompanying financial statements since it does not meet the recording requirements specified by GAAP.

Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Endowment Funds – The *Uniform Prudent Management Institutional Funds Act* ("UPMIFA") was enacted in Tennessee effective July 1, 2007. GAAP requires disclosure of a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds, a description of the Organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization's endowment investment policies, and additional disclosures.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of business and significant accounting policies (continued)

Subsequent Events – The Organization evaluated subsequent events through July 27, 2018, when these financial statements were available to be issued.

Note 2—Cash and cash equivalents

Cash and cash equivalents consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Pinnacle Bank – insured cash sweep account	\$ 603,788	\$ 601,390
Pinnacle Bank – checking account	297,030	327,386
First Tennessee – checking account	256,434	256,306
Pinnacle Bank – money market	47,009	124,150
Wells Fargo – checking account	102,205	105,395
First Tennessee – checking account	23,488	29,274
Wells Fargo – checking account	1,005	1,005
PayPal	3,539	-
Petty cash	-	50
	<u>\$ 1,334,498</u>	<u>\$ 1,444,956</u>

Note 3—Accounts and pledges receivable

Accounts and pledges receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Fundraising pledges	\$ -	\$ 1,117
Program fees	896	1,939
Total accounts and pledges receivable	<u>\$ 896</u>	<u>\$ 3,056</u>

At December 31, 2017 and 2016, all accounts and pledges receivable are believed to be fully collectible. Accordingly, no provision has been recorded for uncollectible amounts. No pledges were written off during 2017 and 2016. At December 31, 2017 and 2016, all accounts and pledges receivable are believed to be receivable within one year and are therefore recorded at their original value.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 4—Property and equipment

Property and equipment consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	639,535	599,261
Arena	2,298,170	2,298,170
Horses	48,749	62,249
	<u>3,828,962</u>	<u>3,802,188</u>
Less accumulated depreciation	<u>(1,416,501)</u>	<u>(1,325,360)</u>
	<u>\$ 2,412,461</u>	<u>\$ 2,476,828</u>

Note 5—Fair value measurements and investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinates, other than those made based on a net asset value (“NAV”) practical expedient, are made based on a hierarchy that prioritizes the input to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5—Fair value measurements and investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money Market Funds and Common Trust Funds – Valued at the NAV of shares held by the Organization at year-end.

Exchange-Traded Funds – Valued at the closing price reported on the active market on which the securities are traded.

The common trust funds described above consist of groups of stocks, bonds, mutual funds, or other investments managed by a third party and held by Diversified Trust. Participation is limited to those individuals or organizations with trust accounts with Diversified Trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 26,366	\$ 26,366	\$ -
Diversified Trust bond funds	1,645,326	386,258	1,259,068
Diversified Trust equity funds	3,075,011	1,990,383	1,084,628
Total investments at fair value	<u>\$ 4,746,703</u>	<u>\$ 2,403,007</u>	<u>\$ 2,343,696</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2016:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 97,569	\$ 97,569	\$ -
Diversified Trust bond funds	1,343,053	329,214	1,013,839
Diversified Trust equity funds	2,586,046	1,458,488	1,127,558
Total investments at fair value	<u>\$ 4,026,668</u>	<u>\$ 1,885,271</u>	<u>\$ 2,141,397</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5—Fair value measurements and investments (continued)

The following schedule summarizes the investment income in the statements of activities for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividend income, net of fees of \$17,805 and \$14,317, respectively	\$ 92,794	\$ 36,088
Realized and unrealized gain (loss) on investments	487,226	226,553
	<u>\$ 580,020</u>	<u>\$ 262,641</u>

The Diversified Trust portfolio is allocated as follows at December 31:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	0.6%	2.4%
Short-term fixed income	9.3%	9.4%
Intermediate fixed income	25.3%	24.0%
Large cap U.S. equity	31.5%	23.5%
Small/Mid cap U.S. equity	0.0%	5.3%
International equity	26.9%	26.7%
Master limited partnerships	6.4%	8.7%
	<u>100.0%</u>	<u>100.0%</u>

Note 6—Concentrations

The Organization receives support from various foundations, corporate, and individual donors, including \$200,000 from one foundation and \$736,750 from two foundations, or approximately 10% and 38% of total revenue and gains, respectively, for the years ended December 31, 2017 and 2016. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization's programs and services.

The Organization maintains its cash and cash equivalents in financial institutions at balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management's opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories. Amounts held by the Organization in excess of federally insured limits totaled \$114,617 and \$222,348 at December 31, 2017 and 2016, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 7—Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose at December 31:

	<u>2017</u>	<u>2016</u>
Fence installation	\$ -	\$ 10,000
PATH Conference	-	2,000
Gravel	-	1,118
Equine assisted learning program	-	418
Vaulting	850	-
	<u>\$ 850</u>	<u>\$ 13,536</u>

Temporarily restricted net assets of \$40,886 and \$38,263 were released from restrictions during 2017 and 2016, respectively, based on satisfaction of program restrictions.

Note 8—Endowment net assets

Endowment net assets consist of the following endowment funds at December 31:

	<u>2017</u>	<u>2016</u>
Board designated endowment	\$ 3,914,253	\$ 3,219,218
Permanently restricted for endowment	832,450	807,450
	<u>\$ 4,746,703</u>	<u>\$ 4,026,668</u>

The Organization's endowment consists of donor-restricted gifts held in cash and investment accounts. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The interest earned on permanently restricted net assets is available to the Organization on an unrestricted basis.

Interpretation of Relevant Law – The board of directors of the Organization has interpreted the UPMIFA (Note 1) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 8—Endowment net assets (continued)

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets	\$ 3,914,253	\$ -	\$ 832,450	\$ 4,746,703

Changes in endowment net assets for the fiscal year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,219,218	\$ -	\$ 807,450	\$ 4,026,668
Investment return:				
Dividend income, net	92,794	-	-	92,794
Net appreciation (realized and unrealized)	487,241	-	-	487,241
Contributions	115,000	-	25,000	140,000
Endowment net assets, end of year	<u>\$ 3,914,253</u>	<u>\$ -</u>	<u>\$ 832,450</u>	<u>\$ 4,746,703</u>

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets	\$ 3,219,218	\$ -	\$ 807,450	\$ 4,026,668

Changes in endowment net assets for the fiscal year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,860,905	\$ -	\$ 252,400	\$ 3,113,305
Investment return:				
Dividend income, net	31,760	-	-	31,760
Net appreciation (realized and unrealized)	226,553	-	-	226,553
Contributions	100,000	-	555,050	655,050
Endowment net assets, end of year	<u>\$ 3,219,218</u>	<u>\$ -</u>	<u>\$ 807,450</u>	<u>\$ 4,026,668</u>

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 8—Endowment net assets (continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There are no deficiencies of this nature as of December 31, 2017 and 2016.

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The Organization’s investment policy by type of investment is generally as follows:

Cash and cash equivalents	0% - 20%
Fixed income	20% - 50%
Equities	50% - 80%
Publicly traded real estate	0% - 10%

Note 9—Designated net assets

Net assets designated by the board of directors consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Endowment	\$ 3,914,253	\$ 3,219,218
Capital improvements	102,205	105,395
	<u>\$ 4,016,458</u>	<u>\$ 3,324,613</u>

During 2016, the board continued efforts to expand its board designated endowment with a goal of accumulating \$5,000,000. Presently, interest on designated net assets continues to be designated for that purpose.

Note 10—Staffing agreement and retirement plan

Effective July 2006, the Organization entered into an agreement with an employee leasing company whereby substantially all of the Organization’s staff are leased. Under this arrangement, the Organization reimburses payroll, related taxes, and insurance costs plus a fee to the leasing company. The agreement can be terminated by either party with 30 days’ notice.

The Organization participates in the Century II Staffing, Inc. Retirement Plan pursuant to Section 401(k) of the Internal Revenue Code. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. During 2016, the board of directors approved to match 2015 employee contributions, up to 4% of employee wages. The match of \$9,151 was approved, expensed, and paid in 2016. During 2016, the board of directors also voted to include a 4% match of employees’ 2016 contributions in the annual budget, with an option to increase the match to 5% if net income exceeds 10% of the budget. The match of \$12,479 was expensed in 2016 and paid in 2017. During 2017, the board of directors voted to include a 4% match of employees’ 2017 contributions in the annual budget. The match of \$8,517 was expensed in 2017 and paid in 2018.