

SADDLE UP!

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, for the year ended December 31, 2018, Saddle Up! adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Chung Bekaert LLP

Nashville, Tennessee
June 14, 2019

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,238,372	\$ 1,334,498
Accounts receivable	636	896
Prepaid expenses	<u>1,801</u>	<u>4,647</u>
Total Current Assets	1,240,809	1,340,041
Investments	4,692,078	4,746,703
Property and equipment, net of accumulated depreciation of \$1,514,661 and \$1,416,501, respectively	<u>2,352,671</u>	<u>2,412,461</u>
Total Assets	<u><u>\$ 8,285,558</u></u>	<u><u>\$ 8,499,205</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 3,815	\$ 9,089
Accrued expenses	16,502	15,598
Deferred revenue	<u>21,112</u>	<u>3,235</u>
Total Current Liabilities	<u>41,429</u>	<u>27,922</u>
Net Assets:		
Without donor restrictions	7,373,168	7,637,983
With donor restrictions	<u>870,961</u>	<u>833,300</u>
Total Net Assets	<u>8,244,129</u>	<u>8,471,283</u>
Total Liabilities and Net Assets	<u><u>\$ 8,285,558</u></u>	<u><u>\$ 8,499,205</u></u>

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Gains:			
Contributions and grants, including unrestricted in-kind contributions of \$85,390	\$ 692,853	\$ 71,125	\$ 763,978
Special events	319,555	-	319,555
Realized and unrealized loss on investments	(447,338)	-	(447,338)
Lesson fees, net of scholarships applied of \$11,931	185,857	-	185,857
Interest and dividends, net of fees of \$19,971	120,004	-	120,004
Donated services	18,842	-	18,842
Clinics and seminars	19,880	-	19,880
Other income	3,338	-	3,338
Loss on disposal of property and equipment	(1,178)	-	(1,178)
	<u>911,813</u>	<u>71,125</u>	<u>982,938</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>33,464</u>	<u>(33,464)</u>	<u>-</u>
Total Revenues and Gains	<u><u>945,277</u></u>	<u><u>37,661</u></u>	<u><u>982,938</u></u>
Expenses:			
Horse-based programs	853,382	-	853,382
Management and general	85,138	-	85,138
Fundraising	271,572	-	271,572
Total Expenses	<u>1,210,092</u>	<u>-</u>	<u>1,210,092</u>
Change in net assets	(264,815)	37,661	(227,154)
Net assets, beginning of year	<u>7,637,983</u>	<u>833,300</u>	<u>8,471,283</u>
Net assets, end of year	<u><u>\$ 7,373,168</u></u>	<u><u>\$ 870,961</u></u>	<u><u>\$ 8,244,129</u></u>

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

SADDLE UP!
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Gains:			
Contributions and grants, including unrestricted in-kind contributions of \$44,115	\$ 586,859	\$ 53,200	\$ 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>53,200</u>	<u>1,701,314</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>40,886</u>	<u>(40,886)</u>	<u>-</u>
Total Revenues and Gains	<u><u>1,689,000</u></u>	<u><u>12,314</u></u>	<u><u>1,701,314</u></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>1,145,847</u>
Change in net assets	543,153	12,314	555,467
Net assets, beginning of year	<u>7,094,830</u>	<u>820,986</u>	<u>7,915,816</u>
Net assets, end of year	<u><u>\$ 7,637,983</u></u>	<u><u>\$ 833,300</u></u>	<u><u>\$ 8,471,283</u></u>

SADDLE UP!**STATEMENT OF FUNCTIONAL EXPENSES***YEAR ENDED DECEMBER 31, 2018*

	Supporting Services				Total Expenses
	Horse-Based Programs	Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 507,543	\$ 42,429	\$ 156,448	\$ 198,877	\$ 706,420
Depreciation	95,830	10,648	-	10,648	106,478
Fundraisers, including in-kind expenses of \$23,829	-	-	81,740	81,740	81,740
Horse lessons and camps, including in-kind expenses of \$18,842	79,911	347	15	362	80,273
Insurance	54,013	2,436	-	2,436	56,449
Marketing in-kind	22,915	8,333	10,416	18,749	41,664
Grant expenses	18,081	1,100	11,054	12,154	30,235
Utilities	27,090	189	124	313	27,403
Repairs/maintenance and vehicles	26,918	-	-	-	26,918
Professional fees	5,620	10,227	641	10,868	16,488
Other	4,809	7,967	1,255	9,222	14,031
Conferences and seminars	9,266	221	1,735	1,956	11,222
Promotional expense	622	-	6,020	6,020	6,642
Office supplies	764	1,241	2,124	3,365	4,129
	<u>\$ 853,382</u>	<u>\$ 85,138</u>	<u>\$ 271,572</u>	<u>\$ 356,710</u>	<u>\$ 1,210,092</u>

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

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

	Supporting Services				Total Expenses
	Horse-Based Programs	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 these statements.

SADDLE UP!
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (227,154)	\$ 555,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,478	110,859
Donated property and equipment	(19,897)	(4,600)
Contributions to net assets with donor restrictions	(30,125)	(25,000)
Loss on disposal of property and equipment	1,178	4,635
Realized and unrealized loss (gain) on investments	447,338	(487,227)
Reinvested dividend income, net of investment fees	(112,587)	(92,795)
Changes in operating assets and liabilities:		
Accounts receivable	260	2,160
Prepaid expenses	2,846	(4,647)
Accounts payable	(5,274)	(1,373)
Accrued expenses	904	(6,902)
Deferred revenue	17,877	505
Net cash provided by operating activities	<u>181,844</u>	<u>51,082</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,573,961	927,877
Purchase of investments	(1,854,087)	(1,067,892)
Purchase of property and equipment	(27,969)	(46,525)
Net cash used in investing activities	<u>(308,095)</u>	<u>(186,540)</u>
Cash flows from financing activities:		
Contributions to net assets with donor restrictions	30,125	25,000
Net cash provided by financing activities	<u>30,125</u>	<u>25,000</u>
Decrease in cash and cash equivalents	(96,126)	(110,458)
Cash and cash equivalents, beginning of year	1,334,498	1,444,956
Cash and cash equivalents, end of year	<u>\$ 1,238,372</u>	<u>\$ 1,334,498</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ 19,897</u>	<u>\$ 4,600</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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:

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions – In accordance with U.S. 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 without donor restriction or with donor restriction depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization generally reports the support as without donor restriction.

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, 2018 AND 2017

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 (“IRC”) and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes 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 net assets without donor restriction 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 net assets with donor restrictions to net assets without donor restriction 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, 2018 and 2017, volunteers provided approximately 15,500 and 15,600 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 U.S. 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. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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. U.S. 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, 2018 AND 2017

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

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented other than the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through June 14, 2019, when these financial statements were available to be issued.

Note 2—Liquidity and availability

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table represents the Organization’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Liquidity and availability (continued)

Financial assets at December 31, 2018:

Cash and cash equivalents	\$ 1,238,372
Accounts receivable	636
Investments	4,692,078
Total financial assets	<u>5,931,086</u>

Less amounts not available to be used for general expenditures within one year:

Net assets designated by the board for endowment and capital improvements	(3,927,478)
Net assets restricted for specific programs	(8,386)
Net assets held in perpetuity	(862,575)
Financial assets not available to be used for general expenditures within one year	<u>(4,798,439)</u>

Financial assets available to meet cash needs for
general expenditures within one year

\$ 1,132,647

Note 3—Cash and cash equivalents

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

	<u>2018</u>	<u>2017</u>
Pinnacle Bank – insured cash sweep account	\$ 458,897	\$ 603,788
Pinnacle Bank – checking account	389,055	297,030
Republic Bank – money market	115,742	-
First Tennessee – checking account	100,509	256,434
Wells Fargo – checking account	97,975	102,205
Pinnacle Bank – money market	52,486	47,009
First Tennessee – checking account	23,608	23,488
PayPal	100	3,539
Wells Fargo – checking account	-	1,005
	<u>\$ 1,238,372</u>	<u>\$ 1,334,498</u>

Note 4—Accounts receivable

At December 31, 2018 and 2017, all accounts receivable, which are related to program fees, are believed to be fully collectible. Accordingly, no provision has been recorded for uncollectible amounts. At December 31, 2018 and 2017, all accounts 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, 2018 AND 2017

Note 5—Property and equipment

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

	2018	2017
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	665,162	639,535
Arena	2,296,415	2,298,170
Horses	63,247	48,749
	<u>3,867,332</u>	<u>3,828,962</u>
Less accumulated depreciation	<u>(1,514,661)</u>	<u>(1,416,501)</u>
	<u>\$ 2,352,671</u>	<u>\$ 2,412,461</u>

Note 6—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, 2018 AND 2017

Note 6—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 closing price reported on the active market on which the securities are traded, or at amounts reported by the trustee of the common trust based on quoted prices for similar assets or liabilities in active markets.

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, 2018:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 24,592	\$ 24,592	\$ -
Diversified Trust bond funds	1,740,284	420,583	1,319,701
Diversified Trust equity funds	<u>2,927,202</u>	<u>1,389,234</u>	<u>1,537,968</u>
Total investments at fair value	<u>\$ 4,692,078</u>	<u>\$ 1,834,409</u>	<u>\$ 2,857,669</u>

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	<u>3,075,011</u>	<u>1,990,383</u>	<u>1,084,628</u>
Total investments at fair value	<u>\$ 4,746,703</u>	<u>\$ 2,403,007</u>	<u>\$ 2,343,696</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 6—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>2018</u>	<u>2017</u>
Interest and dividend income, net of fees of \$19,971 and \$17,805, respectively	\$ 120,004	\$ 92,795
Realized and unrealized (loss) gain on investments	<u>(447,338)</u>	<u>487,227</u>
	<u>\$ (327,334)</u>	<u>\$ 580,022</u>

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	0.5%	0.6%
Short-term fixed income	10.1%	9.3%
Intermediate fixed income	27.0%	25.3%
Large cap U.S. equity	32.0%	31.5%
International equity	26.1%	26.9%
Master limited partnerships	<u>4.3%</u>	<u>6.4%</u>
	<u>100.0%</u>	<u>100.0%</u>

Note 7—Concentrations

The Organization receives support from various foundations, corporate, and individual donors, including \$200,000 from one foundation, or approximately 20% and 12% of total revenue and gains, respectively, for the years ended December 31, 2018 and 2017. 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 \$576,481 and \$114,617 at December 31, 2018 and 2017, respectively.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8—Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose at December 31:

	<u>2018</u>	<u>2017</u>
Contributions restricted for particular purpose:		
Tack and horse lessons	\$ 7,495	\$ -
Vaulting	891	850
Endowment	<u>862,575</u>	<u>832,450</u>
	<u>\$ 870,961</u>	<u>\$ 833,300</u>

Net assets restricted for particular purpose of \$33,464 and \$40,886 were released from restrictions during 2018 and 2017, respectively, based on satisfaction of program restrictions.

Note 9—Endowment net assets

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

	<u>2018</u>	<u>2017</u>
Board designated endowment	\$ 3,829,503	\$ 3,914,253
Donor-restricted amounts required to be maintained in perpetuity	<u>862,575</u>	<u>832,450</u>
	<u>\$ 4,692,078</u>	<u>\$ 4,746,703</u>

The Organization's endowment consists of donor-restricted gifts held in cash and investment accounts. As required by U.S. 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 net assets held in perpetuity 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 net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets	<u>\$ 3,829,503</u>	<u>\$ 862,575</u>	<u>\$ 4,692,078</u>

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 9—Endowment net assets (continued)

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,914,253	\$ 832,450	\$ 4,746,703
Investment return:			
Dividend income, net	112,587	-	112,587
Net depreciation (realized and unrealized)	(447,338)	-	(447,338)
Contributions	250,001	30,125	280,126
Endowment net assets, end of year	<u>\$ 3,829,503</u>	<u>\$ 862,575</u>	<u>\$ 4,692,078</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets	<u>\$ 3,914,253</u>	<u>\$ 832,450</u>	<u>\$ 4,746,703</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>\$ 832,450</u>	<u>\$ 4,746,703</u>

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, 2018 and 2017.

SADDLE UP!

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 9—Endowment net assets (continued)

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 10—Designated net assets

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

	2018	2017
Endowment	\$ 3,829,503	\$ 3,914,253
Capital improvements	97,975	102,205
	<u>\$ 3,927,478</u>	<u>\$ 4,016,458</u>

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

Note 11—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 leasing company’s retirement plan pursuant to Section 401(k) of the IRC. 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 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. During 2018, the board of directors voted to include a 4% match of employees’ 2018 contributions in the annual budget. The match of \$8,235 was expensed in 2018 and paid in 2019.