

SADDLE UP!

FINANCIAL STATEMENTS

Year Ended December 31, 2022

**(WITH SUMMARIZED COMPARATIVE
TOTALS AS OF DECEMBER 31, 2021)**

SADDLE UP!

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!

Opinion

We have audited the accompanying financial statements of the Saddle Up! (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements as of December 31, 2022, were audited by Patterson, Hardee & Ballentine, P.C., who merged with UHY, LLP as of December 1, 2022, and whose report dated August 9, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Saddle Up!'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saddle Up!'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.

Report on Summarized Comparative Information

As described in the Prior Period Financial Statements section of this report, the Saddle Up!'s financial statements for the year ended December 31, 2021 were audited by Patterson, Hardee & Ballentine, P.C., and the report dated August 9, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "UHY LLP". The signature is stylized, with the "U" and "H" being large and connected, and the "Y" and "LLP" following in a similar fluid style.

Nashville, Tennessee
October 5, 2023

SADDLE UP!

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022

WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,593,318	\$ 1,620,910
Endowment cash	541,365	81,356
Restricted cash	101,822	114,422
Total cash	<u>2,236,505</u>	<u>1,816,688</u>
Accounts receivable	7,068	28,532
Prepaid expenses	10,702	8,205
Total current assets	<u>2,254,275</u>	<u>1,853,425</u>
PROPERTY AND EQUIPMENT, NET	2,297,673	2,234,434
DONOR-RESTRICTED ENDOWMENT	862,575	862,575
BOARD-DESIGNATED ENDOWMENT	<u>4,482,926</u>	<u>6,047,279</u>
Total assets	<u>\$ 9,897,449</u>	<u>\$ 10,997,713</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 43,534	\$ 37,024
Contract liabilities	16,675	20,525
Total current liabilities	<u>60,209</u>	<u>57,549</u>
NET ASSETS		
Without donor restrictions	8,869,168	9,963,167
With donor restrictions	968,072	976,997
Total net assets	<u>9,837,240</u>	<u>10,940,164</u>
Total liabilities and net assets	<u>\$ 9,897,449</u>	<u>\$ 10,997,713</u>

See notes to financial statements.

SADDLE UP!**STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED DECEMBER 31, 2022****WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
PUBLIC SUPPORT AND REVENUE				
GROSS SPECIAL EVENT REVENUE	\$ 474,140	-	\$ 474,140	\$ 342,068
Less direct cost of special events	<u>(86,848)</u>	<u>-</u>	<u>(86,848)</u>	<u>(65,382)</u>
Net special events revenue	387,292	-	387,292	276,686
PUBLIC SUPPORT				
Contributions and grants	614,744	161,517	776,261	809,470
Lesson fees, net of scholarships applied of \$13,5	150,997	-	150,997	198,649
Interest and dividends, net of fees of \$33,069	115,493	-	115,493	98,778
Contributed nonfinancial assets	39,515	-	39,515	49,086
Clinics and seminars	1,350	-	1,350	1,035
Miscellaneous revenue	7,671	-	7,671	4,503
Net assets released from restrictions	<u>170,442</u>	<u>(170,442)</u>	<u>-</u>	<u>-</u>
Total public support	1,100,212	(8,925)	1,091,287	1,161,521
Realized and unrealized gain (loss) on investmer	(1,216,618)	-	(1,216,618)	638,786
Total public support and revenue	<u>270,886</u>	<u>(8,925)</u>	<u>261,961</u>	<u>2,076,993</u>
EXPENSES				
Program services				
Horse-based programs	983,273	-	983,273	871,316
Supporting services				
Management and general	170,295	-	170,295	152,308
Fundraising	<u>211,317</u>	<u>-</u>	<u>211,317</u>	<u>194,595</u>
Total supporting services	381,612	-	381,612	346,903
Total expenses	<u>1,364,885</u>	<u>-</u>	<u>1,364,885</u>	<u>1,218,219</u>
Other Income:				
Paycheck Protection Program loan forgiveness	-	-	-	138,457
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,116)</u>
Total other income	-	-	-	131,341
CHANGE IN NET ASSETS	(1,093,999)	(8,925)	(1,102,924)	990,115
NET ASSETS - BEGINNING OF YEAR	<u>9,963,167</u>	<u>976,997</u>	<u>10,940,164</u>	<u>9,950,049</u>
NET ASSETS - END OF YEAR	<u>\$ 8,869,168</u>	<u>\$ 968,072</u>	<u>\$ 9,837,240</u>	<u>\$ 10,940,164</u>

See notes to financial statements.

SADDLE UP!

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

		Supporting Services				
	Horse-based Programs	Management and General	Fundraising	Total Supporting Services	Total 2022	Total 2021
Conferences and seminars	\$ 5,966	\$ -	\$ -	\$ -	5,966	1,218
Depreciation	112,019	12,446	-	12,446	124,465	112,833
Fundraisers	-	-	86,848	86,848	86,848	65,382
Grant expenses	17,824	1,107	7,275	8,382	26,206	15,349
Horse lessons and camps, including in-kind expenses of \$33,286	127,727	-	3,000	3,000	130,727	102,472
Insurance	50,561	-	-	-	50,561	40,459
Miscellaneous	6,229	-	-	-	6,229	19,561
Office supplies	1,483	297	2,710	3,007	4,490	7,103
Other	11,088	3,382	7,645	11,027	22,115	14,096
Professional fees	32,992	36,776	5,106	41,882	74,874	58,577
Promotional expense	-	-	15,964	15,964	15,964	27,859
Repairs/maintenance and vehicles	62,512	-	-	-	62,512	46,314
Salaries and taxes	533,485	109,542	169,617	279,159	812,644	746,667
Utilities	21,387	6,745	-	6,745	28,132	25,711
Total expenses by function	983,273	170,295	298,165	468,460	1,451,733	1,283,601
Less expenses included with revenues on the statement of activities:						
Direct cost of special events	-	-	(86,848)	(86,848)	(86,848)	(65,382)
Total expenses included in the expense section on the statement of activities	<u>\$ 983,273</u>	<u>\$ 170,295</u>	<u>\$ 211,317</u>	<u>\$ 381,612</u>	<u>\$ 1,364,885</u>	<u>\$ 1,218,219</u>

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,102,924)	\$ 990,115
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
PPP loan forgiveness	-	(138,457)
Depreciation	124,465	112,833
Loss on disposal of property and equipment	-	7,116
Realized and unrealized gain on investments	1,216,618	(638,786)
Change in operating assets and liabilities-		
Accounts receivable	21,464	(28,983)
Prepaid expenses	(2,497)	(5,577)
Accounts payable	(5,634)	(3,596)
Accrued expenses	12,144	11,619
Deferred revenue	(3,850)	2,532
Net cash provided by operating activities	<u>259,786</u>	<u>308,816</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	4,323,871	2,440,760
Purchase of investments	(3,976,136)	(2,456,132)
Purchase of property and equipment	(187,704)	(56,700)
Net cash provided by (used in) investing activities	<u>160,031</u>	<u>(72,072)</u>
NET CHANGE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	419,817	236,744
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,816,688</u>	<u>1,579,944</u>
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,236,505</u>	<u>\$ 1,816,688</u>

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Nature of Activities

Saddle Up! (the "Organization") is organized as a Tennessee nonprofit 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for nonprofit 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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. 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.

Cash and Cash Equivalents

The Organization maintains cash at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

All unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance are considered a cash equivalent.

Accounts Receivable

At December 31, 2022, and 2021, 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, 2022, and 2021, 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 FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,500 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

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2022, no assets were considered to be impaired.

Contract Liabilities

Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as contract liabilities until the Organization's performance obligations are satisfied.

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.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

- Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.
- Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at December 31, 2022.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), the Organization believes that this information is useful and have included certain summarized financial information from the 2021 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2022, from which it was derived.

Revenue and Cost Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation which is determined by a series of services performed or upon delivery of a promised good or service. Contract terms are determined based on the expected completion dates of each performance obligation.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and are therefore, accounted as part of the existing contract.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our service contracts satisfied at a point in time have a single performance obligation that is based on the service specifically described in the contracts.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Obligations Satisfied at a Point in Time

Revenues that do not satisfy the criteria for recognition over-time are recognized at a point-in-time. Upon fulfillment of the performance obligation, which is the services provided to the customer, revenue is recognized. The Organization believes that point-in-time recognition remains appropriate and will continue to recognize revenues as services are provided. Revenue from services transferred to customers at a point-in-time accounted for 100% of revenue for the years ended December 31, 2022 and 2021.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recorded at the fair value of the donated goods and discounted rent received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

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 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, professional fees, and in-kind expenses, which were allocated, based on time and effort. Depreciation expense is allocated on the overall usage of the facilities.

Advertising

Advertising (Promotional Expense) is expensed as incurred. At December 31, 2022, \$15,964 was expensed for advertising costs.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (See NOTE 7).

New Accounting Pronouncement

The Organization also adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through October 5, 2023, the date financial statements were available to be issued.

NOTE 2 — AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,593,318	\$ 1,620,910
Accounts receivable	<u>7,068</u>	<u>28,532</u>
	<u>\$ 1,600,386</u>	<u>\$ 1,649,442</u>

The Organization has certain board-designated and donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded in the qualitative information above.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 2 — AVAILABILITY AND LIQUIDITY (Continued)

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 3 — PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	969,577	832,911
Arena	2,309,103	2,298,265
Horses	99,646	59,446
	<hr/> 4,220,834	<hr/> 4,033,130
Less: accumulated depreciation	(1,923,161)	(1,798,696)
	<hr/> <u>\$ 2,297,673</u>	<hr/> <u>\$ 2,234,434</u>

Depreciation expense was \$124,465 and \$112,833 for the years ending December 31, 2022, and 2021, respectively.

NOTE 4 — FAIR VALUE MEASUREMENTS

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model derived valuations whose inputs are observable. Assets classified as Level 3 have fair values based on value drivers that are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 4 — FAIR VALUE MEASUREMENTS (Continued)

Diversifiers, equities, fixed income and money market funds - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value (NAV) of shares held at year end.

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.

At December 31, 2022, fair values are summarized as follows:

	Level 1	Level 2	Level 3	Total
Cash & Equivalents	541,365		-	541,365
Fixed Income	414,636	1,013,054	-	1,427,690
Equities	1,265,305	2,116,254	-	3,381,558
Diversifiers	-	536,252	-	536,252
Total	<u>\$ 2,221,306</u>	<u>\$ 3,665,560</u>	<u>\$ -</u>	<u>\$ 5,886,866</u>

At December 31, 2021, fair values are summarized as follows:

	Level 1	Level 2	Level 3	Total
Diversifiers	\$ -	\$ 346,246	\$ -	\$ 346,246
Equities	3,183,772	1,865,314	-	5,049,086
Fixed income	334,848	1,179,674	-	1,514,522
Total	<u>\$ 3,518,620</u>	<u>\$ 3,391,234</u>	<u>\$ -</u>	<u>\$ 6,909,854</u>

NOTE 5 – CONTRACT LIABILITIES

Beginning balances of contract liabilities were \$156,450 and \$20,525 for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 6 — NET ASSETS WITH RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose Restrictions:		
Horse purchase	\$ 65,540	\$ 16,770
Fence Build/Repair	25,000	-
ProBoard – Young	4,733	-
Barn Improvements	8,526	-
Track & Equipment	1,198	-
EAL Assistance	500	-
Arena footing	-	71,000
Parking lot lights project	-	10,000
Scholarships	-	15,129
Sheds/trees	-	1,523
Permanent Restrictions		
Endowment (see NOTE 7)	<u>862,575</u>	<u>862,575</u>
	<u>\$ 968,072</u>	<u>\$ 976,997</u>

NOTE 7 — CONCENTRATIONS

The Organization receives support from various foundations, corporate, and individual donors, including approximately 26% and 10% of donations from one foundation for the years ended December 31, 2022, and 2021, respectively. 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 \$1,018,908 and \$645,127 at December 31, 2022, and 2021, respectively.

NOTE 8 — ENDOWMENT FUNDS

The Organization's endowment includes donor-restricted gifts and board designated investments 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.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
With Summarized Comparative Totals as of December 31, 2021

NOTE 8 — ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law – The Board of Directors of the Organization has interpreted the UPMIFA (see 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.

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, 2021, and 2020.

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% – 60%
Equities	40% – 80%
Publicly traded real estate	0% – 20%

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Restrictions	With Restrictions	Total
Endowment net assets	<u>\$ 5,024,291</u>	<u>\$ 862,575</u>	<u>\$ 5,886,866</u>

Changes in endowment net assets for the year ended December 31, 2022:

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 6,128,635	\$ 862,575	\$ 6,991,210
Investment return:			
Dividend income, net	-	110,505	110,505
Net decrease (realized and unrealized)	-	(1,214,848)	(1,214,848)
Amounts released from restriction	<u>(1,104,344)</u>	<u>1,104,344</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 5,024,291</u>	<u>\$ 862,575</u>	<u>\$ 5,886,866</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022
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NOTE 8 — ENDOWMENT FUNDS (Continued)

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Restrictions	With Restrictions	Total
Endowment net assets	<u>\$ 6,128,635</u>	<u>\$ 862,575</u>	<u>\$ 6,991,210</u>

Changes in endowment net assets for the year ended December 31, 2021:

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 5,393,121	\$ 862,575	\$ 6,255,696
Investment return:			
Dividend income, net	-	96,728	96,728
Net appreciation (realized and unrealized)	-	638,786	638,786
Amounts released from restriction	<u>735,514</u>	<u>(735,514)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 6,128,635</u>	<u>\$ 862,575</u>	<u>\$ 6,991,210</u>

NOTE 9 — DESIGNATED NET ASSETS

Net assets designated by the Board of Directors consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Board-designated endowment	\$ 4,482,926	\$ 6,047,279
Endowment cash	541,365	81,356
Capital improvements	<u>160,042</u>	<u>54,700</u>
	<u>\$ 5,184,333</u>	<u>\$ 6,183,335</u>

The board has established a goal of maintaining a minimum of \$5,000,000 in its board-designated endowment funds. Presently, investment income 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.

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NOTE 10 — STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

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 2021, the Board of Directors voted to include a 5% match of employees' 2021 contributions in the annual budget. The match of \$18,006 was expensed in 2021 with \$10,604 paid in 2021 and \$7,402 paid in 2022. During 2022, the Board of Directors voted to include a 5% match of employees' 2022 contributions in the annual budget. The match of \$16,765 was expensed in 2022 with \$7,403 paid in 2022 and \$9,362 paid in 2023.

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities for the year ended December 31, 2022:

<u>Valuation Techniques and Inputs</u>		
Goods and services	Contributed goods at estimated fair value based on current rates for similar items	\$ 39,515
		<u>\$ 39,515</u>

Contributions of nonfinancial assets and their use in programs and other activities are as follows:

	<u>Year Ended December 31, 2022</u>			
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Horse lessons & camps	\$ 30,286	\$ -	\$ 3,000	\$ 33,286
Miscellaneous	6,229	-	-	
	<u>\$ 36,515</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 39,515</u>