

2021

Financial Statements With Auditor's Letters

SADDLE UP!

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020)

(With Independent Auditor's Report Thereon)

SADDLE UP!
FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!

Opinion

We have audited the accompanying financial statements of Saddle Up! (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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, 2021, and the changes in 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 of Saddle Up! as of December 31, 2020 were audited by other auditors whose report dated May 25, 2021 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.

Emphasis of Matter

As discussed in the Prior Period Financial Statements paragraph of this report and in NOTE 1 of the financial statements, the prior year financial statements were audited by other auditors. Summarized comparative information presented herein as of and for the year ended December 31, 2020 should be read in conjunction with those financial statements.

Patterson Handley & Bellentine

August 9, 2022

SADDLE UP!
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,620,910	\$ 1,487,002
Endowment cash	81,356	-
Restricted cash	114,422	92,942
Accounts receivable	28,532	-
Prepaid expenses	8,205	2,628
Total current assets	<u>1,853,425</u>	<u>1,582,572</u>
Property and equipment, net	<u>2,234,434</u>	<u>2,297,683</u>
Assets whose use is limited:		
Donor-restricted endowment	862,575	862,575
Board-designated endowment	6,047,279	5,393,121
Total assets whose use is limited	<u>6,909,854</u>	<u>6,255,696</u>
Total assets	<u>\$ 10,997,713</u>	<u>\$ 10,135,951</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 5,343	\$ 9,390
Accrued expenses	31,681	20,062
Deferred revenue	20,525	156,450
Total current liabilities	<u>57,549</u>	<u>185,902</u>
Net Assets:		
Without donor restrictions	9,963,167	8,994,532
With donor restrictions	976,997	955,517
Total net assets	<u>10,940,164</u>	<u>9,950,049</u>
Total liabilities and net assets	<u>\$ 10,997,713</u>	<u>\$ 10,135,951</u>

See accompanying notes to financial statements.

SADDLE UP!
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	2021	2020
Public Support and Revenue:				
Gross special events revenue	\$ 342,068	\$ -	\$ 342,068	\$ 157,246
Less direct cost of special events	(65,382)	-	(65,382)	(35,455)
Net special events revenue	276,686	-	276,686	121,791
Contributions and grants	608,545	200,925	809,470	900,942
Realized and unrealized gain on investments	638,786	-	638,786	605,846
Lesson fees, net of scholarships applied of \$32,289	198,649	-	198,649	93,955
Interest and dividends, net of fees of \$32,409	98,778	-	98,778	90,876
Donated services	49,086	-	49,086	67,278
Clinics and seminars	1,035	-	1,035	785
Miscellaneous revenue	4,503	-	4,503	194
Net assets released from restrictions	179,445	(179,445)	-	-
Total public support	1,778,827	21,480	1,800,307	1,759,876
Total revenues and gains	2,055,513	21,480	2,076,993	1,881,667
Expenses:				
Program Services:				
Horse-based programs	871,316	-	871,316	778,931
Supporting Services:				
Management and general	152,308	-	152,308	67,849
Fundraising	194,595	-	194,595	250,423
Total supporting services	346,903	-	346,903	318,272
Total expenses	1,218,219	-	1,218,219	1,097,203
Other Income:				
Paycheck Protection Program ("PPP") loan forgiveness	138,457	-	138,457	-
Loss on disposal of property and equipment	(7,116)	-	(7,116)	-
Total other income	131,341	-	131,341	-
Change in net assets	968,635	21,480	990,115	784,464
Net assets, beginning of year	8,994,532	955,517	9,950,049	9,165,585
Net assets, end of year	\$ 9,963,167	\$ 976,997	\$ 10,940,164	\$ 9,950,049

See accompanying notes to financial statements.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

		Supporting Services			
	Horse-based Programs	Management and General	Fundraising	Total 2021	Total 2020
Conferences and seminars	\$ 851	\$ 367	\$ -	\$ 1,218	\$ 1,643
Depreciation	101,550	11,283	-	112,833	111,040
Fundraisers	208	-	65,174	65,382	35,455
Grant expenses	15,349	-	-	15,349	2,035
Horse lessons and camps, including in-kind expenses of \$29,525	102,472	-	-	102,472	89,840
Insurance	36,413	1,214	2,832	40,459	49,737
Miscellaneous in-kind	18,465	1,096	-	19,561	16,386
Office supplies	1,954	4,779	370	7,103	3,712
Other	10,181	2,938	977	14,096	27,922
Professional fees	27,368	9,654	21,555	58,577	17,707
Promotional expense	15	-	27,844	27,859	26,883
Repairs/maintenance and vehicles	41,448	2,433	2,433	46,314	30,269
Salaries and taxes	489,539	118,544	138,584	746,667	696,344
Utilities	25,711	-	-	25,711	23,685
Total expenses by function	871,524	152,308	259,769	1,283,601	1,132,658
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	(208)	-	(65,174)	(65,382)	(35,455)
Total expenses included in the expense section on the statement of activities	<u>\$ 871,316</u>	<u>\$ 152,308</u>	<u>\$ 194,595</u>	<u>\$ 1,218,219</u>	<u>\$ 1,097,203</u>

See accompanying notes to financial statements.

SADDLE UP!
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 990,115	\$ 784,464
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
PPP loan forgiveness	(138,457)	-
Depreciation	112,833	111,040
Donated property and equipment	-	(21,477)
Loss on disposal of property and equipment	7,116	4,455
Realized and unrealized gain on investments	(638,786)	(605,846)
Changes in:		
Accounts receivable	(28,983)	1,197
Prepaid expenses	(5,577)	335
Accounts payable	(3,596)	6,646
Accrued expenses	11,619	(973)
Deferred revenue	2,532	126,942
Net cash provided by operating activities	<u>308,816</u>	<u>406,783</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	2,440,760	1,453,226
Purchase of investments	(2,456,132)	(1,543,444)
Purchase of property and equipment	(56,700)	(58,925)
Net cash used in investing activities	<u>(72,072)</u>	<u>(149,143)</u>
Net change in cash	236,744	257,640
Cash, restricted cash, and cash equivalents - beginning of year	<u>1,579,944</u>	<u>1,322,304</u>
Cash, restricted cash, and cash equivalents - end of year	<u>\$ 1,816,688</u>	<u>\$ 1,579,944</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ -</u>	<u>\$ 21,477</u>

See accompanying notes to financial statements.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

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.

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.

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, 2021 and 2020.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 1 – Summary of Significant Accounting Policies (continued)

Deferred Revenue

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

Accounts Receivable

At December 31, 2021, and 2020, 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, 2021, and 2020, all accounts receivable are believed to be receivable within one year and, are therefore, recorded at their original value.

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.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020 from which the summarized information was derived. Those prior year financial statements were audited by other auditors whose report dated May 25, 2021 expressed an unmodified opinion on those statements. Certain reclassifications have been made to the prior summarized information to conform to the current year presentation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less when purchased to be cash and cash equivalents. At December 31, 2021, we had cash equivalents in the amount of \$866,556. At December 31, 2020, we had cash equivalents in the amount of \$698,858.

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

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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, 2021, no assets were considered to be impaired.

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.

Donated Assets and Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

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, 2021, \$27,859 was expensed for advertising costs.

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.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 1 – Summary of Significant Accounting Policies (continued)

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).

NOTE 2 – Availability and Liquidity

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,566,210	\$ 1,487,002
Accounts receivable	28,532	-
	<u>\$ 1,594,742</u>	<u>\$ 1,487,002</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.

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. We consider cash to be readily available.

We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 – Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	832,911	792,211
Arena	2,298,265	2,298,265
Horses	59,446	63,244
	<u>4,033,130</u>	<u>3,996,228</u>
Less: accumulated depreciation	<u>(1,798,696)</u>	<u>(1,698,545)</u>
	<u>\$ 2,234,434</u>	<u>\$ 2,297,683</u>

Depreciation expense was \$112,833 and \$111,040 for the years ending December 31, 2021, and 2020, respectively.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

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, 2021.

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, 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>

At December 31, 2020, fair values are summarized as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 31,491	\$ -	\$ -	\$ 31,491
Equities	1,648,813	2,755,540	-	4,404,353
Fixed income	-	1,819,852	-	1,819,852
Total	<u>\$ 1,680,304</u>	<u>\$ 4,575,392</u>	<u>\$ -</u>	<u>\$ 6,255,696</u>

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 5 – Net Assets With Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Arena footing	\$ 71,000	\$ -
Gnash's corner	-	1
Horse care	-	46,708
Horse purchase	16,770	-
Parking lot lights project	10,000	-
Scholarships	15,129	39,669
Sheds/trees	1,523	1,523
Staff Education	-	5,000
Vaulting	-	41
Permanent Restrictions		
Endowment (see NOTE 7)	<u>862,575</u>	<u>862,575</u>
	<u>\$ 976,997</u>	<u>\$ 955,517</u>

NOTE 6 – Concentrations

The Organization receives support from various foundations, corporate, and individual donors, including approximately 10% of donations from one foundation for the years ended December 31, 2021, and 2020. 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 \$645,127 and \$901,918 at December 31, 2021, and 2020, respectively.

NOTE 7 – 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.

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.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 7 – Endowment Funds (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, 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, 2021:

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

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	735,514	(735,514)	-
Endowment net assets, end of year	\$ 6,128,635	\$ 862,575	\$ 6,991,210

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Restrictions	With Restrictions	Total
Endowment net assets	\$ 5,393,121	\$ 862,575	\$ 6,255,696

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 7 – Endowment Funds (continued)

Changes in endowment net assets for the year ended December 31, 2020:

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 4,697,057	\$ 862,575	\$ 5,559,632
Investment return:			
Dividend income, net	-	85,218	85,218
Net appreciation (realized and unrealized)	-	605,846	605,846
Contributions	-	5,000	5,000
Amounts released from restriction	696,064	(696,064)	-
Endowment net assets, end of year	<u>\$ 5,393,121</u>	<u>\$ 862,575</u>	<u>\$ 6,255,696</u>

NOTE 8 – Designated Net Assets

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

	<u>2021</u>	<u>2020</u>
Board-designated endowment	\$ 6,047,279	\$ 5,393,121
Endowment cash	81,356	-
Capital improvements	54,700	97,975
	<u>\$ 6,183,335</u>	<u>\$ 5,491,096</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 9 – 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 2020, the Board of Directors voted to include a 4% match of employees' 2020 contributions in the annual budget. The match of \$10,605 was expensed in 2020 and paid in 2021. 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.

SADDLE UP!
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

NOTE 10 – Paycheck Protection Program Loan Payable (PPP)

In April 2020, the Organization received a First Draw PPP loan from Pinnacle Bank in the amount of \$137,075 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). On May 3, 2021, our PPP loan and accrued interest was fully forgiven.

NOTE 11 – Accounting Policies for Future Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("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 statement of financial position 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, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 12 – Subsequent Events

The Organization evaluated subsequent events through August 9, 2022, the date the financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.