

Days End Farm Horse Rescue, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2019 and 2018



Halt Buzas & Powell, LTD

TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

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Independent Auditors' Report

To the Board of Directors
Days End Farm Horse Rescue, Inc.
Lisbon, Maryland

We have audited the accompanying financial statements of Days End Farm Horse Rescue, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditors' 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 from 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 auditors' 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 the Organization as of June 30, 2019 and 2018, 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.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
November 4, 2019

Days End Farm Horse Rescue, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,556,989	\$ 1,709,800
Accounts receivable, net	5,316	2,610
Contributions receivable	49,958	76,001
Prepaid expenses	72,222	25,501
Deferred fees, net	1,208	1,208
Total current assets	1,685,693	1,815,120
Investments	336,515	222,870
Beneficial interest in trust	135,189	134,259
Property and equipment, net	1,529,348	1,365,911
Deferred fees, net, non-current	1,711	2,919
Total assets	\$ 3,688,456	\$ 3,541,079
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 149,649	\$ 89,441
Pass through liability	38,269	158,030
Deferred revenue	36,962	107,780
Notes payable	39,436	37,808
Total current liabilities	264,316	393,059
Notes payable, non-current	722,112	761,001
Total liabilities	986,428	1,154,060
Net assets:		
Without donor restrictions	2,403,294	2,131,074
With donor restrictions	298,734	255,945
Total net assets	2,702,028	2,387,019
Total liabilities and net assets	\$ 3,688,456	\$ 3,541,079

See accompanying notes to the financial statements.

3.

Days End Farm Horse Rescue, Inc.

Statement of Activities

For the Year Ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restriction</u>	<u>Total</u>
Revenues:			
Contributions and grants	\$ 1,201,336	\$ 83,079	\$ 1,284,415
Special events	209,840	-	209,840
In-kind contributions	239,276	-	239,276
Program service fees	125,483	-	125,483
Retail sales, net of merchandise cost	32,805	-	32,805
WaterShed grant	70,818	-	70,818
Interest and dividend income	15,865	-	15,865
Other income	3,657	-	3,657
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>41,220</u>	<u>(41,220)</u>	<u>-</u>
Total revenues	<u>1,940,300</u>	<u>41,859</u>	<u>1,982,159</u>
Expenses:			
Program services	<u>1,416,699</u>	<u>-</u>	<u>1,416,699</u>
Support services:			
Management and general	178,063	-	178,063
Fundraising	<u>93,021</u>	<u>-</u>	<u>93,021</u>
Total support services	<u>271,084</u>	<u>-</u>	<u>271,084</u>
Total expenses	<u>1,687,783</u>	<u>-</u>	<u>1,687,783</u>
Change in net assets from operating activities	<u>252,517</u>	<u>41,859</u>	<u>294,376</u>
Non-operating activities:			
Realized and unrealized gain on investment	19,703	-	19,703
Unrealized gain, beneficial interest in trust	<u>-</u>	<u>930</u>	<u>930</u>
Total non-operating activities	<u>19,703</u>	<u>930</u>	<u>20,633</u>
Change in net assets	272,220	42,789	315,009
Net assets, beginning of year	<u>2,131,074</u>	<u>255,945</u>	<u>2,387,019</u>
Net assets, end of year	<u>\$ 2,403,294</u>	<u>\$ 298,734</u>	<u>\$ 2,702,028</u>

See accompanying notes to the financial statements.

4.

Days End Farm Horse Rescue, Inc.

Statement of Activities

For the Year Ended June 30, 2018

	Without donor restrictions	With donor restriction	Total
Revenues:			
Contributions and grants	\$ 1,562,848	\$ 58,831	\$ 1,621,679
Special events	278,202	-	278,202
In-kind contributions	235,352	-	235,352
Program service fees	128,725	-	128,725
Retail sales, net of merchandise cost	28,487	-	28,487
WaterShed grant	17,220	-	17,220
Interest and dividend income	4,228	-	4,228
Other income	278	-	278
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>46,175</u>	<u>(46,175)</u>	<u>-</u>
Total revenues	<u>2,301,515</u>	<u>12,656</u>	<u>2,314,171</u>
Expenses:			
Program services	<u>1,514,280</u>	<u>-</u>	<u>1,514,280</u>
Support services:			
Management and general	165,494	-	165,494
Fundraising	<u>39,449</u>	<u>-</u>	<u>39,449</u>
Total support services	<u>204,943</u>	<u>-</u>	<u>204,943</u>
Total expenses	<u>1,719,223</u>	<u>-</u>	<u>1,719,223</u>
Change in net assets from operating activities	<u>582,292</u>	<u>12,656</u>	<u>594,948</u>
Non-operating activities:			
Insurance claim reimbursement	15,362	-	15,362
Realized and unrealized gain on investment	10,129	-	10,129
Unrealized gain, beneficial interest in trust	<u>-</u>	<u>3,474</u>	<u>3,474</u>
Total non-operating activities	<u>25,491</u>	<u>3,474</u>	<u>28,965</u>
Change in net assets	607,783	16,130	623,913
Net assets, beginning of year	<u>1,523,291</u>	<u>239,815</u>	<u>1,763,106</u>
Net assets, end of year	<u>\$ 2,131,074</u>	<u>\$ 255,945</u>	<u>\$ 2,387,019</u>

See accompanying notes to the financial statements.

5.

Days End Farm Horse Rescue, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support</u>	<u>Total expenses</u>
Salaries and payroll expenses	\$ 606,556	\$ 94,741	\$ 19,617	\$ 114,358	\$ 720,914
Contributed supplies	204,338	-	-	-	204,338
Occupancy	140,913	13,450	730	14,180	155,093
Professional fees	123,253	29,791	323	30,114	153,367
Supplies	139,851	1,719	341	2,060	141,911
Special events	37,618	4,184	37,659	41,843	79,461
Depreciation and amortization	50,361	5,022	-	5,022	55,383
Printing and postage	17,337	-	17,337	17,337	34,674
Public awareness and education	34,141	-	-	-	34,141
Equipment rental and maintenance	26,322	1,262	250	1,512	27,834
Bank and internet processing fees	-	21,043	-	21,043	21,043
Licenses	17,064	3,001	595	3,596	20,660
Advertising	3,063	1,610	14,495	16,105	19,168
Training and employee relations	6,848	1,204	239	1,443	8,291
Other	6,006	1,036	46	1,082	7,088
Office expense	1,780	-	1,389	1,389	3,169
Contributed services	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248</u>
Total expenses	<u>\$ 1,416,699</u>	<u>\$ 178,063</u>	<u>\$ 93,021</u>	<u>\$ 271,084</u>	<u>\$ 1,687,783</u>

See accompanying notes to the financial statements

6.

Days End Farm Horse Rescue, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support</u>	<u>Total expenses</u>
Salaries and payroll expenses	\$ 576,623	\$ 93,273	\$ 16,499	\$ 109,772	\$ 686,395
Contributed supplies	216,217	-	-	-	216,217
Supplies	160,537	1,631	290	1,921	162,458
Occupancy	139,112	12,232	1,699	13,931	153,043
Professional fees	118,182	29,550	268	29,818	148,000
Special events	104,904	-	-	-	104,904
Depreciation and amortization	47,358	5,910	-	5,910	53,268
Public awareness and education	38,269	-	-	-	38,269
Equipment rental and maintenance	33,893	1,342	239	1,581	35,474
Printing and postage	17,081	-	17,081	17,081	34,162
Contributed services	19,135	-	-	-	19,135
Advertising	15,447	2,895	697	3,592	19,039
Licenses	13,366	2,171	386	2,557	15,923
Bank and internet processing fees	-	15,381	-	15,381	15,381
Other	9,116	600	13	613	9,729
Office expense	1,908	-	2,186	2,186	4,094
Training and employee relations	<u>3,132</u>	<u>509</u>	<u>91</u>	<u>600</u>	<u>3,732</u>
Total expenses	<u>\$ 1,514,280</u>	<u>\$ 165,494</u>	<u>\$ 39,449</u>	<u>\$ 204,943</u>	<u>\$ 1,719,223</u>

See accompanying notes to the financial statements

7.

Days End Farm Horse Rescue, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>315,009</u>	\$ <u>623,913</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,383	53,268
Unrealized gain on beneficial interest in trust	(930)	(3,474)
Unrealized gain on investments	(19,703)	(11,854)
Realized loss on investment	-	1,725
Donated stock	(93,161)	(13,993)
Donated property and equipment	(33,690)	-
Amortization of deferred financing costs	1,208	1,208
Gain on disposal of assets	(2,507)	-
Bad debt expense	700	3,850
Decrease (increase) in assets:		
Accounts receivable, net	(3,406)	31,715
Contributions receivable	26,043	291,827
Prepaid expenses	(46,721)	3,635
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	60,208	26,619
Pass through liability	(119,761)	158,030
Deferred revenue	<u>(70,818)</u>	<u>107,780</u>
Total adjustments	<u>(247,155)</u>	<u>650,336</u>
Net cash provided by operating activities	<u>67,854</u>	<u>1,274,249</u>
Cash flows from investing activities:		
Purchases of property and equipment	(185,130)	(96,167)
Proceeds from disposals of property and equipment	2,507	-
Purchases of investments	(781)	(16,346)
Proceeds from sales of investments	<u>-</u>	<u>12,267</u>
Net cash used in investing activities	<u>(183,404)</u>	<u>(100,246)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(37,261)</u>	<u>(35,697)</u>
Net cash used in financing activities	<u>(37,261)</u>	<u>(35,697)</u>
Net (decrease) increase in cash and cash equivalents	(152,811)	1,138,306
Cash and cash equivalents, beginning of year	<u>1,709,800</u>	<u>571,494</u>
Cash and cash equivalents, end of year	<u>\$ 1,556,989</u>	<u>\$ 1,709,800</u>

-- continued --

See accompanying notes to the financial statements.

8.

Days End Farm Horse Rescue, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ <u>40,849</u>	\$ <u>42,414</u>

See accompanying notes to the financial statements.

9.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

1. Organization

Days End Farm Horse Rescue, Inc. (the Organization) is a nonprofit, volunteer based, animal welfare organization established in 1989 to ensure quality care and treatment for horses through rehabilitation, humane education and community outreach. The Organization offers adoption to qualified, pre-screened homes and performs annual follow-up visits to guarantee proper treatment, safety and well being. The volunteer program offers training on horse care, rehabilitation of abused and neglected horses, stable management and teaches compassion to adults and young adults (twelve years and older). Through the humane educational programs, the Organization staff visits schools, civic organizations, and area 4-H clubs to provide information on: the proper care of horses, case studies of abused and neglected horses, the cycle of violence and possible solutions to the problem so that individuals learn how to help. The Organization provides support service to animal control and humane societies as purveyors of shelter, transportation and care of destitute horses involved in cruelty investigations or as strays. The Organization offers continuing education such as: hands-on cruelty investigation training for Animal Control officers and humane societies, and classes for Fire and Rescue departments and horse owners in large animal rescue techniques. The Organization also provides emergency rescue services to horses at the request of their veterinarians or other emergency personnel and provides disaster services in response to manmade or natural disasters.

During 2014, the Organization exercised an option in its operating lease to purchase 58.3 acres of land in Woodbine, Maryland. In November 2014, the Organization completed the transaction to purchase this land and related improvements for \$1.1 million. See notes 7, 8, and 10 for further details.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and 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. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine 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. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
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- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 or 3 inputs for any assets or liabilities held by the Organization at June 30, 2019 and 2018.

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended June 30, 2019 and 2018, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2019 and 2018, the Organization had no uncertain tax positions which should be recognized as a liability.

f. Cash and cash equivalents

For financial statement purposes, the Organization considers highly liquid investments with an original maturity of three months or less as cash equivalents.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

g. Accounts receivable, net

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2019 and 2018, the allowance for doubtful accounts totaled \$11,300 for each year.

h. Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2019 and 2018, all contributions receivable were considered collectible, therefore no allowance for doubtful accounts had been recognized.

i. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

j. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	39 years
Furniture and fixtures	10 - 25 years

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Farm equipment	3 - 15 years
Vehicles	3 - 5 years
Office and computer equipment	3 - 5 years

The Organization's policy is to capitalize major additions and improvements over \$5,000 and estimated useful lives greater than three years. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Included in property and equipment are expenses incurred in the process of acquiring the land and structures adjacent to the existing property. The Organization has signed an agreement for the purchase and is in the process of completing the due diligence. The purchase is expected to be completed within the next fiscal year. These expenses are not currently being depreciated, as they are not yet in service.

k. Measure of operations

The accompanying statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programmatic services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

l. Revenue recognition

i. Contributions

Contributions, grants and combined federal campaign contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

ii. WaterShed Grant

The WaterShed grant is recognized as revenue when the qualifying expenses are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

iii. Program service fees

Program revenue consists primarily of fees generated from the Organization's Legacy and adoption programs. Fees are recognized as revenue in the period in which services are provided.

iv. Special events

Special fundraising events are recognized in the period the event takes place net of the direct benefits provided to the donors.

v. Merchandise sales

Merchandise sales are recognized in the period the merchandise is sold net of cost of sales.

vi. In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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 such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Many individuals volunteer their time and perform a variety of tasks that assists the Organization. The value of these contributed services is not recorded as in-kind contributions since the criteria for recognition was not met under the standards.

Days End Farm Horse Rescue, Inc.
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m. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs, such as salaries and payroll expenses, equipment rental and maintenance, licenses, and training and employee relations have been allocated among programs and supporting services based on level of effort. Occupancy and depreciation have been allocated among programs and supporting services based on use of the assets.

n. Reclassification

For comparative purposes, certain 2018 amounts have been reclassified to conform to the 2019 presentation. However, none of these reclassifications affected the 2018 change in net assets.

o. Adoption of new accounting standard

The Organization has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of these financial statements with no effect on beginning net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that 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. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

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In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a right-of-use asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for nonprofit entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organization plans to adopt the new ASUs at the respective required implementation dates.

3. Liquidity and Availability

The following represents the Organization's financial assets at June 30:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,556,989	\$ 1,709,800
Accounts receivable, net	5,316	2,610
Contributions receivable	49,958	76,001
Investments	<u>336,515</u>	<u>222,870</u>
Total financial assets	<u>1,948,778</u>	<u>2,011,281</u>
Less amounts not available within one year:		
Net assets with donor restrictions	<u>(280,734)</u>	<u>(255,945)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,668,044</u>	<u>\$ 1,755,336</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$700,000). As part of its liquidity plan, excess cash is invested in short-term investment.

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2019 and 2018, the Organization had bank deposits in excess of FDIC limits of \$1,104,843 and \$1,227,080, respectively. In addition, at June 30, 2019 and 2018, the cash portion of investments, \$200,765 and \$199,935 respectively, was not covered by the FDIC.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
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5. Investments and Fair Value Measurements

Investments are measured at fair value using Level 1 inputs and are comprised of the following at June 30:

	<u>2019</u> Cost	<u>2019</u> Fair Value	<u>2018</u> Cost	<u>2018</u> Fair Value
Fixed income mutual funds	\$ 200,316	\$ 238,552	\$ 200,316	\$ 222,870
Equities-common stock	<u>93,161</u>	<u>97,963</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 293,477</u>	<u>\$ 336,515</u>	<u>\$ 200,316</u>	<u>\$ 222,870</u>

Investment income is comprised of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 15,865	\$ 4,228
Unrealized gains on investments	19,703	11,854
Realized loss on investments	<u>-</u>	<u>(1,725)</u>
Total investment income	<u>\$ 35,568</u>	<u>\$ 14,357</u>

6. Beneficial Interest in Trust

The Organization has a beneficial interest in a perpetual trust along with two other organizations that distributes one-third of 5% of its fair value to the Organization on an annual basis. The trust invests in publicly traded investments with readily determinable fair values based on quoted prices in active markets. The Organization carries its interest in the trust at the fair value of the underlying investments. The fair value of the trust is recorded as net assets with donor restriction and the changes in its fair value are classified as changes in net assets with donor restrictions.

The trust had the following asset composition reported at fair value at June 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 5,371	\$ 6,814
Bond mutual funds	43,745	43,604
Equity mutual funds	<u>86,073</u>	<u>83,841</u>
Total beneficial interest in trust	<u>\$ 135,189</u>	<u>\$ 134,259</u>

Fair value is measured using Level 1 inputs at June 30, 2019 and 2018 determined by reference to quoted market prices and other relevant information generated by market transactions.

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7. Property and Equipment, Net

The following is a summary of property and equipment held at June 30:

	2019	2018
Land	\$ 688,050	\$ 688,050
Buildings and improvements	553,090	518,643
Furniture and fixtures	46,948	46,948
Farm equipment	167,798	142,298
Vehicles	164,978	169,788
Office and computer equipment	17,499	17,499
Property purchase in progress	184,562	33,879
Property and equipment	1,822,925	1,617,105
Accumulated depreciation and amortization	(293,577)	(251,194)
Total property and equipment, net	\$ 1,529,348	\$ 1,365,911

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$55,383 and \$53,268, respectively.

8. Deferred Fees, Net

As part of the note payable obligation for the farm acquisition, the Organization incurred loan origination and other settlement fees totaling \$8,456 on November 14, 2014. Such fees are being amortized over the life of the note, which is 7 years. Deferred fees are presented in the accompanying statements of financial position net of accumulated amortization. Total amortization expense for the years ended June 30, 2019 and 2018 was \$1,208 for each year.

9. Pass Through Liability

The Organization acts as a fiscal sponsor for a state council to provide safe options for horses in transition. The Organization receives contributions on behalf of the state council and pays out expenses on their behalf. Such contributions are reported as a liability in the accompanying statements of financial position.

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10. Notes Payable

Notes payable and related current maturities consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Promissory note dated November 2014, in the amount of \$880,000, with an annual interest rate of 5.24 percent. The note calls for monthly principal and interest payments of \$5,930 for eighty-three months with a balloon payment of the remaining principal and accrued interest in November 2021. The Organization is in compliance with all loan covenants for the years ended June 30, 2019 and 2018. The note is secured by property.	\$ 752,861	\$ 783,172
Non-interest bearing promissory note dated October 2015, in the amount of \$34,750. The note calls for monthly principal payments of \$579 for sixty months. The note is secured by farm equipment.	8,687	15,637
Total notes payable	761,548	798,809
Current portion, notes payable	(39,436)	(37,808)
Non-current portion, notes payable	\$ 722,112	\$ 761,001

Aggregate future maturities of notes payable are as follows for the years ending June 30:

2020	\$ 39,436
2021	35,964
2022	686,148
Total	\$ 761,548

11. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018 for the following purposes:

	<u>2019</u>	<u>2018</u>
Robin's Nest	\$ 16,886	\$ -
Horse medical expenses	12,627	18,371
Horse Show Sponsorship	5,000	-
Marketing	2,000	-
Donor designated projects	1,927	6,816
Classes	1,400	-
Farm equipment	1,380	11,665
ACO go kits	-	898
Emergency Rescue Trailer	-	4,000
Time restricted	-	2,000
Horse training	-	2,425
Total net assets released from restrictions	\$ 41,220	\$ 46,175

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At June 30, 2019 and 2018, net assets with donor restrictions were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Future buildings	\$ 104,105	\$ 83,530
Marketing	24,422	-
Electric sling brace	10,000	10,000
Donor designated projects	6,860	6,789
Horse training	6,349	3,649
Farm equipment	4,830	4,453
Robin's Nest	3,114	10,000
Classes	2,600	3,000
Adoption	1,000	-
ACO go kits	265	265
Beneficial trust	<u>135,189</u>	<u>134,259</u>
Total net assets with donor restrictions	<u>\$ 298,734</u>	<u>\$ 255,945</u>

12. Donated Goods and Services

The Organization received in-kind contributions primarily in the form of donated supplies and equipment. The value of contributed supplies was \$238,028 and \$216,217 for the years ended June 30, 2019 and 2018, respectively, of which \$33,690 was capitalized as property and equipment for the year ended June 30, 2019, and no amount was capitalized as property and equipment for the year ended June 30, 2018. The Organization also received donated veterinary and farrier services valued at \$1,248 and \$19,135 for the years ended June 30, 2019 and 2018, respectively. All in-kind goods and services are included in program services in the accompanying statements of activities.

Many other individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services have not been recorded in the financial statements since they did not meet the criteria for recognition. Volunteer hours for farm work and data entry totaled 44,732 and 49,283 for the years ended June 30, 2019 and 2018, respectively.

Days End Farm Horse Rescue, Inc.
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13. Commitments

Operating lease

On May 1, 2015, the Organization entered into a month to month lease for use of other farm land to provide for additional shelter capacity. The lease was amended on August 1, 2017 to a five year lease and calls for a monthly payment of \$2,500. The lease expires in August 2022. Rent expense was \$30,000 and \$29,900 for the years ended June 30, 2019 and 2018, respectively.

Aggregate future minimum lease payments are as follows for the years ending June 30:

2020	\$	30,000
2021		30,000
2022		30,000
2023		<u>5,000</u>
Total	\$	<u><u>95,000</u></u>

14. Retirement Plan

On January 1, 2012, the Organization established a SIMPLE Individual Retirement Account plan for employees receiving at least \$5,000 in compensation. The Organization matches employees' contributions up to 3% of an employee's salary. Retirement plan expense was \$10,067 and \$10,889 for the years ended June 30, 2019 and 2018, respectively.

15. Advertising Expense

The Organization expenses the cost of advertising as incurred. Advertising expense was \$19,168 and \$19,039 for the years ended June 30, 2019 and 2018, respectively.

16. Related Party Transactions

The Organization entered into leases with a related organization for use of other farm land to provide for additional shelter capacity. The leases are based on annual analyses of current market rates. See Note 13 for lease details.

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17. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 4, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.