

Days End Farm Horse Rescue, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2018 and 2017



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.
Woodbine, 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, 2018 and 2017, and the related statements of activities 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses (pages 19 - 20) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
November 7, 2018

Days End Farm Horse Rescue, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,709,800	\$ 571,494
Accounts receivable, net	2,610	38,175
Contributions receivable	76,001	367,828
Prepaid expenses	25,501	29,136
Deferred fees, net	1,208	1,208
Total current assets	1,815,120	1,007,841
Investments	222,870	194,669
Beneficial interest in trust	134,259	130,785
Property and equipment, net	1,365,911	1,323,012
Deferred fees, net, non-current	2,919	4,127
Total assets	\$ 3,541,079	\$ 2,660,434
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 89,441	\$ 62,822
Pass through liability	158,030	-
Deferred revenue	107,780	-
Notes payable	37,808	36,266
Total current liabilities	393,059	99,088
Notes payable, non-current	761,001	798,240
Total liabilities	1,154,060	897,328
Net assets:		
Unrestricted	2,131,074	1,523,291
Temporarily restricted	121,686	109,030
Permanently restricted	134,259	130,785
Total net assets	2,387,019	1,763,106
Total liabilities and net assets	\$ 3,541,079	\$ 2,660,434

See accompanying notes to the financial statements.

3.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Insurance claim reimbursement	15,362	-	-	15,362
Investment income	14,357	-	-	14,357
Unrealized gain, beneficial interest in trust	-	-	3,474	3,474
Other income	278	-	-	278
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>46,175</u>	<u>(46,175)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,327,006</u>	<u>12,656</u>	<u>3,474</u>	<u>2,343,136</u>
Expenses:				
Program services	<u>1,514,280</u>	<u>-</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>-</u>	<u>39,449</u>
Total support services	<u>204,943</u>	<u>-</u>	<u>-</u>	<u>204,943</u>
Total expenses	<u>1,719,223</u>	<u>-</u>	<u>-</u>	<u>1,719,223</u>
Change in net assets	607,783	12,656	3,474	623,913
Net assets, beginning of year	<u>1,523,291</u>	<u>109,030</u>	<u>130,785</u>	<u>1,763,106</u>
Net assets, end of year	<u>\$ 2,131,074</u>	<u>\$ 121,686</u>	<u>\$ 134,259</u>	<u>\$ 2,387,019</u>

See accompanying notes to the financial statements.

4.

Days End Farm Horse Rescue, Inc.
Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 1,190,208	\$ 86,151	\$ -	\$ 1,276,359
Special events	185,905	-	-	185,905
In-kind contributions	237,244	-	-	237,244
Program service fees	115,813	-	-	115,813
Retail sales, net of merchandise cost	20,995	-	-	20,995
Insurance claim reimbursement	45,831	-	-	45,831
Investment income	12,391	-	-	12,391
Unrealized gain, beneficial interest in trust	-	-	7,021	7,021
Other income	3,225	-	-	3,225
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>93,240</u>	<u>(93,240)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,904,852</u>	<u>(7,089)</u>	<u>7,021</u>	<u>1,904,784</u>
Expenses:				
Program services	<u>1,460,916</u>	<u>-</u>	<u>-</u>	<u>1,460,916</u>
Support services:				
Management and general	167,540	-	-	167,540
Fundraising	<u>34,501</u>	<u>-</u>	<u>-</u>	<u>34,501</u>
Total support services	<u>202,041</u>	<u>-</u>	<u>-</u>	<u>202,041</u>
Total expenses	<u>1,662,957</u>	<u>-</u>	<u>-</u>	<u>1,662,957</u>
Change in net assets	241,895	(7,089)	7,021	241,827
Net assets, beginning of year	<u>1,281,396</u>	<u>116,119</u>	<u>123,764</u>	<u>1,521,279</u>
Net assets, end of year	<u>\$ 1,523,291</u>	<u>\$ 109,030</u>	<u>\$ 130,785</u>	<u>\$ 1,763,106</u>

See accompanying notes to the financial statements.

5.

Days End Farm Horse Rescue, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ <u>623,913</u>	\$ <u>241,827</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	53,268	44,373
Unrealized gain on beneficial interest in trust	(3,474)	(7,021)
Unrealized gain on investments	(11,854)	(9,660)
Realized loss (gain) on investment	1,725	(86)
Donated stock	(13,993)	(10,525)
Donated property and equipment	-	(11,201)
Amortization of deferred financing costs	1,208	1,208
Loss on disposal of assets	-	1,787
Bad debt expense	3,850	11,300
Decrease (increase) in assets:		
Accounts receivable, net	31,715	(31,125)
Contributions receivable	291,827	(257,911)
Prepaid expenses	3,635	(7,843)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	26,619	(10,095)
Pass through liability	158,030	-
Deferred revenue	107,780	-
Total adjustments	<u>650,336</u>	<u>(286,799)</u>
Net cash provided by (used in) operating activities	<u>1,274,249</u>	<u>(44,972)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(96,167)	(72,882)
Purchases of investments	(16,346)	(161,210)
Proceeds from sales of investments	<u>12,267</u>	<u>18,082</u>
Net cash used in investing activities	<u>(100,246)</u>	<u>(216,010)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(35,697)</u>	<u>(34,210)</u>
Net cash used in financing activities	<u>(35,697)</u>	<u>(34,210)</u>
Net increase (decrease) in cash and cash equivalents	1,138,306	(295,192)
Cash and cash equivalents, beginning of year	<u>571,494</u>	<u>866,686</u>
Cash and cash equivalents, end of year	<u>\$ 1,709,800</u>	<u>\$ 571,494</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 42,414</u>	<u>\$ 43,899</u>

See accompanying notes to the financial statements.

6.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

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 6, 7, and 9 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 three classes of net assets:

- *Unrestricted Net Assets* represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

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- *Temporarily Restricted Net Assets* represent resources restricted by donors as to purpose or by the passage of time.

- *Permanently Restricted Net Assets* represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

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.

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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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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.

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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, 2018 and 2017, 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, 2018 and 2017, 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
New farm acquisitions	10 - 25 years

Days End Farm Horse Rescue, Inc.

Notes to the Financial Statements

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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.

k. 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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

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.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

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.

i. 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 have been allocated among program and supporting services benefited.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

3. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2018 and 2017, the Organization had bank deposits in excess of FDIC limits of \$1,227,080 and \$312,522, respectively. In addition, at June 30, 2018, the cash portion of investments, \$199,935, is not covered by the FDIC.

4. 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>2018</u> Cost	<u>2018</u> Fair Value	<u>2017</u> Cost	<u>2017</u> Fair Value
Fixed income mutual funds	\$ <u>200,316</u>	\$ <u>222,870</u>	\$ <u>184,585</u>	\$ <u>194,669</u>
Total investments	\$ <u>200,316</u>	\$ <u>222,870</u>	\$ <u>184,585</u>	\$ <u>194,669</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 4,228	\$ 2,645
Unrealized gains on investments	11,854	9,660
Realized (loss) gain on investments	<u>(1,725)</u>	<u>86</u>
Total investment income	\$ <u>14,357</u>	\$ <u>12,391</u>

5. 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 permanently restricted net assets and the changes in its fair value are classified as changes in permanently restricted net assets.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 6,814	\$ 2,234
Bond mutual funds	43,604	38,813
Equity mutual funds	<u>83,841</u>	<u>89,738</u>
Total beneficial interest in trust	<u>\$ 134,259</u>	<u>\$ 130,785</u>

Fair value is measured using Level 1 inputs at June 30, 2018 and 2017 determined by reference to quoted market prices and other relevant information generated by market transactions.

6. Property and Equipment, Net

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

	<u>2018</u>	<u>2017</u>
Land	\$ 688,050	\$ 688,050
Buildings and improvements	552,522	518,643
New farm acquisitions	46,948	41,930
Farm equipment	142,298	142,298
Vehicles	169,788	148,985
Office and computer equipment	<u>17,499</u>	<u>17,499</u>
Property and equipment	1,617,105	1,557,405
Accumulated depreciation and amortization	<u>(251,194)</u>	<u>(234,393)</u>
Total property and equipment, net	<u>\$ 1,365,911</u>	<u>\$ 1,323,012</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$53,268 and \$44,373, respectively.

7. 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, 2018 and 2017 was \$1,208 for each year.

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

8. 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.

9. Notes Payable

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

	<u>2018</u>	<u>2017</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, 2018 and 2017. The note is secured by property.	\$ 783,172	\$ 811,918
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.	<u>15,637</u>	<u>22,588</u>
Total notes payable	798,809	834,506
Current portion, notes payable	<u>(37,808)</u>	<u>(36,266)</u>
Non-current portion, notes payable	<u>\$ 761,001</u>	<u>\$ 798,240</u>

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

2019	\$ 37,808
2020	39,462
2021	35,995
2022	<u>685,544</u>
Total	<u>\$ 798,809</u>

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

10. Temporarily Restricted Net Assets

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 for the following purposes:

	<u>2018</u>	<u>2017</u>
Horse medical expenses	\$ 18,371	\$ 8,109
Donor designated projects	6,816	828
Farm equipment	11,665	6,190
Horse training	2,425	7,500
Truck fund	-	59,078
Horse transport & care	-	8,698
ACO go kits	898	1,837
Emergency Rescue Trailer	4,000	-
Time restricted	<u>2,000</u>	<u>1,000</u>
Total net assets released from restrictions	<u>\$ 46,175</u>	<u>\$ 93,240</u>

At June 30, 2018 and 2017, temporarily restricted net assets were available for the following purposes:

	<u>2018</u>	<u>2017</u>
New arena - critical care	\$ 67,420	\$ 67,420
Electric sling brace	10,000	10,000
Donor designated projects	6,789	5,628
Farm equipment	4,453	16,118
Horse medical expenses	-	2,201
Horse training	3,649	500
ACO go kits	265	1,163
Emergency rescue trailer	-	4,000
Time restricted	-	2,000
Classes	3,000	-
Welcome Center	16,110	-
Robin's Nest	<u>10,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 121,686</u>	<u>\$ 109,030</u>

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

11. 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 \$216,217 and \$230,385, of which no amount was capitalized as property and equipment for the year ended June 30, 2018, and \$11,200 was capitalized as property and equipment for the year ended June 30, 2017. The Organization also received donated veterinary and farrier services valued at \$19,135 and \$6,859 for the years ended June 30, 2018 and 2017, respectively. All in-kind goods and services are included in program services in the accompanying statements of activities.

Certain donated 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 valued at \$12.00 per hour totaled \$591,399 and \$629,691 for the years ended June 30, 2018 and 2017, respectively.

12. Commitments

Operating leases

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 calls for a monthly payment of \$2,400. On August 1, 2017, the lease was amended to a five year lease and calls for a monthly payment of \$2,500. The lease expires in August 2022. Rent expense was \$29,900 and \$28,800 for the years ended June 30, 2018 and 2017, respectively.

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

2019	\$ 30,000
2020	30,000
2021	30,000
2022	30,000
2023	<u>5,000</u>
Total	<u>\$ 125,000</u>

Days End Farm Horse Rescue, Inc.
Notes to the Financial Statements
June 30, 2018 and 2017

13. 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 \$10,889 and \$10,738 for the years ended June 30, 2018 and 2017, respectively.

14. Advertising Expense

The Organization expenses the cost of advertising as incurred. Advertising expense was \$19,039 and \$13,892 for the years ended June 30, 2018 and 2017, respectively.

15. 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 12 for lease details.

16. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 7, 2018, 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.

Supplemental Information

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

	Program services	Management and general	Fundraising	Total support services	Total expenses
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>

Days End Farm Horse Rescue, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2017

	Program services	Management and general	Fundraising	Total support services	Total expenses
Salaries and payroll expenses	\$ 554,321	\$ 94,267	\$ 17,827	\$ 112,094	\$ 666,415
Contributed supplies	219,185	-	-	-	219,185
Supplies	155,376	1,396	263	1,659	157,035
Occupancy	139,327	16,568	2,110	18,678	158,005
Professional fees	139,928	31,315	635	31,950	171,878
Special events	85,637	-	-	-	85,637
Depreciation and amortization	35,271	9,102	-	9,102	44,373
Public awareness and education	43,639	-	-	-	43,639
Equipment rental and maintenance	23,973	448	85	533	24,506
Printing and postage	11,714	-	11,714	11,714	23,428
Contributed services	6,859	-	-	-	6,859
Advertising	10,565	2,662	665	3,327	13,892
Licenses	6,547	1,136	215	1,351	7,898
Bank and internet processing fees	-	6,509	-	6,509	6,509
Other	17,697	2,512	18	2,530	20,227
Office expense	55	-	661	661	716
Training and employee relations	2,030	352	67	419	2,449
Dues and subscriptions	7,340	1,273	241	1,514	8,854
Farm expense	<u>1,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,452</u>
Total expenses	<u>\$ 1,460,916</u>	<u>\$ 167,540</u>	<u>\$ 34,501</u>	<u>\$ 202,041</u>	<u>\$ 1,662,957</u>