

Days End Farm Horse Rescue, Inc.

Financial Statements
and
Independent Auditor's Report

For the Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors
Days End Farm Horse Rescue, Inc.
Woodbine, MD

Opinion

We have audited the accompanying financial statements of Days End Farm Horse Rescue, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the years 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 Days End Farm Horse Rescue, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

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 the Organization'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 Responsibility 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 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 the Organization'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 the Organization'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.



SNYDER COHN, PC
North Bethesda, Maryland
November 3, 2022

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

<u>June 30</u>	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,356,543	\$ 1,663,520
Assets held on behalf of others	-	53,264
Accounts receivable, net	-	1,846
Contributions receivable, net	159,714	70,443
Investments	735,943	798,656
Prepaid expenses	14,332	33,266
Total current assets	<u>2,266,532</u>	<u>2,620,995</u>
Property and equipment, net	<u>2,861,130</u>	<u>1,762,638</u>
Other assets:		
Beneficial interest in trust	115,837	151,629
Deposits	1,984	50,000
Website development costs, net	14,052	-
Total other assets	<u>131,873</u>	<u>201,629</u>
Total assets	<u>\$ 5,259,535</u>	<u>\$ 4,585,262</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

<u>June 30</u>	<u>2022</u>	<u>2021</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 114,338	\$ 112,897
Pass through liability	-	53,264
Deferred revenue	29,681	-
Notes payable, current portion	70,408	40,255
Paycheck Protection Program loan	-	150,000
Total current liabilities	<u>214,427</u>	<u>356,416</u>
Other liabilities:		
Notes payable, net of current portion	<u>1,343,793</u>	<u>636,338</u>
Total liabilities	<u>1,558,220</u>	<u>992,754</u>
Commitments		
Net assets:		
Without donor restrictions	3,230,383	3,254,176
With donor restrictions	<u>470,932</u>	<u>338,332</u>
Total net assets	<u>3,701,315</u>	<u>3,592,508</u>
Total liabilities and net assets	<u>\$ 5,259,535</u>	<u>\$ 4,585,262</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Activities and Change in Net Assets

For the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contribution revenue	\$ 1,389,647	\$ 280,101	\$ 1,669,748
In-kind contributions	233,732	-	233,732
Watershed grant	-	-	-
Legacy scholarship fund	1,126	-	1,126
Program service fees	87,494	-	87,494
Events	103,360	-	103,360
Sales of used tack and other items	33,866	-	33,866
Interest and dividend income	9,805	-	9,805
Debt forgiveness	150,617	-	150,617
Other income	733	-	733
Net assets released from restrictions	111,709	(111,709)	-
Total revenues	2,122,089	168,392	2,290,481
Expenses:			
Program services			
Rescue and rehabilitation	1,600,524	-	1,600,524
Education	94,913	-	94,913
Outreach	91,133	-	91,133
Total program services	1,786,570	-	1,786,570
Supporting services			
Management and general	199,913	-	199,913
Fundraising	57,243	-	57,243
Direct benefit to donors	27,516	-	27,516
Total supporting services	284,672	-	284,672
Total expenses	2,071,242	-	2,071,242
Change in net assets from operating activities	50,847	168,392	219,239
Non-operating activities:			
Realized and unrealized gain (loss) on investments	(74,640)	-	(74,640)
Unrealized loss, beneficial interest in trust	-	(35,792)	(35,792)
Loss on sale of assets	-	-	-
Total non-operating activities	(74,640)	(35,792)	(110,432)
Change in net assets	(23,793)	132,600	108,807
Net assets - beginning	3,254,176	338,332	3,592,508
Net assets - ending	\$ 3,230,383	\$ 470,932	\$ 3,701,315

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Activities and Change in Net Assets

For the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contribution revenue	\$ 1,167,803	\$ 135,399	\$ 1,303,202
In-kind contributions	230,851	-	230,851
Watershed grant	49,190	-	49,190
Program service fees	106,816	-	106,816
Events	33,208	-	33,208
Sales of used tack and other items	36,264	-	36,264
Interest and dividend income	10,429	-	10,429
Debt forgiveness	155,117	-	155,117
Other income	50	-	50
Net assets released from restrictions	258,651	(258,651)	-
Total revenues	<u>2,048,379</u>	<u>(123,252)</u>	<u>1,925,127</u>
Expenses:			
Program services			
Rescue and rehabilitation	1,404,926	-	1,404,926
Education	74,149	-	74,149
Outreach	67,719	-	67,719
Total program services	<u>1,546,794</u>	<u>-</u>	<u>1,546,794</u>
Supporting services			
Management and general	202,640	-	202,640
Fundraising	58,546	-	58,546
Direct benefit to donors	1,679	-	1,679
Total supporting services	<u>262,865</u>	<u>-</u>	<u>262,865</u>
Total expenses	<u>1,809,659</u>	<u>-</u>	<u>1,809,659</u>
Change in net assets from operating activities	<u>238,720</u>	<u>(123,252)</u>	<u>115,468</u>
Non-operating activities:			
Realized and unrealized gain (loss) on investments	92,195	-	92,195
Unrealized gain, beneficial interest in trust	-	24,446	24,446
Loss on sale of assets	(1,860)	-	(1,860)
Total non-operating activities	<u>90,335</u>	<u>24,446</u>	<u>114,781</u>
Change in net assets	329,055	(98,806)	230,249
Net assets - beginning	<u>2,925,121</u>	<u>437,138</u>	<u>3,362,259</u>
Net assets - ending	<u>\$ 3,254,176</u>	<u>\$ 338,332</u>	<u>\$ 3,592,508</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Functional Expenses

For the year ended June 30, 2022

	Programs			Total Program	Supporting Services			Total Supporting Services	Total
	Rescue and Rehabilitation	Education	Outreach		Management and General	Fundraising	Direct Benefit to Donors		
Salaries and payroll expenses	\$ 689,507	\$ 54,375	\$ 56,947	\$ 800,829	\$ 100,983	\$ 29,743	\$ -	\$ 130,726	\$ 931,555
Contributed supplies	233,317	-	-	233,317	-	-	-	-	233,317
Professional fees	182,899	9,892	719	193,510	38,490	379	-	38,869	232,379
Occupancy	145,098	18,693	6,465	170,256	16,937	1,239	-	18,176	188,432
Supplies	153,071	642	673	154,386	1,262	354	-	1,616	156,002
Depreciation and amortization	72,683	-	-	72,683	4,159	-	-	4,159	76,842
Equipment rental and maintenance	68,692	697	730	70,119	1,369	384	-	1,753	71,872
Events	4,620	-	-	4,620	2,311	98	27,516	29,925	34,545
Licenses and subscriptions	24,247	1,912	2,003	28,162	3,757	1,054	-	4,811	32,973
Educational supplies, stipends meals and travel	6,023	6,023	17,742	29,788	-	-	-	-	29,788
Bank and internet processing fees	-	-	-	-	28,267	-	-	28,267	28,267
Printing and postage	11,130	1,961	-	13,091	-	13,092	-	13,092	26,183
Advertising	-	-	-	-	1,012	9,111	-	10,123	10,123
Training and employee relations	7,328	578	605	8,511	1,135	318	-	1,453	9,964
Other operating expenses	1,376	108	5,241	6,725	231	65	-	296	7,021
Office expense	118	32	8	158	-	1,406	-	1,406	1,564
Contributed services	415	-	-	415	-	-	-	-	415
Total expenses	\$ 1,600,524	\$ 94,913	\$ 91,133	\$ 1,786,570	\$ 199,913	\$ 57,243	\$ 27,516	\$ 284,672	\$ 2,071,242

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Functional Expenses

For the year ended June 30, 2021

	Programs				Supporting Services				
	Rescue and Rehabilitation	Education	Outreach	Total Program	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	Total
Salaries and payroll expenses	\$ 593,820	\$ 46,829	\$ 49,044	\$ 689,693	\$ 103,498	\$ 30,637	\$ -	\$ 134,135	\$ 823,828
Contributed supplies	221,791	-	-	221,791	-	-	-	-	221,791
Professional fees	128,963	3,231	713	132,907	50,508	441	-	50,949	183,856
Supplies	148,689	675	707	150,071	1,546	438	-	1,984	152,055
Occupancy	106,710	10,136	3,765	120,611	11,582	1,001	-	12,583	133,194
Equipment rental and maintenance	85,842	949	994	87,785	2,171	615	-	2,786	90,571
Depreciation and amortization	56,575	-	-	56,575	3,685	-	-	3,685	60,260
Printing and postage	13,538	2,525	-	16,063	-	16,063	-	16,063	32,126
Licenses and subscriptions	21,421	1,689	1,769	24,879	3,866	1,095	-	4,961	29,840
Bank and internet processing fees	-	-	-	-	23,535	-	-	23,535	23,535
Educational supplies, stipends meals and travel	7,474	7,474	6,176	21,124	-	-	-	-	21,124
Contributed services	9,060	-	-	9,060	-	-	-	-	9,060
Training and employee relations	6,292	496	520	7,308	1,136	322	-	1,458	8,766
Advertising	-	-	-	-	812	7,311	-	8,123	8,123
Other operating expenses	1,667	131	4,026	5,824	301	85	-	386	6,210
Events	2,653	-	-	2,653	-	-	1,679	1,679	4,332
Office expense	431	14	5	450	-	538	-	538	988
Total expenses	\$ 1,404,926	\$ 74,149	\$ 67,719	\$ 1,546,794	\$ 202,640	\$ 58,546	\$ 1,679	\$ 262,865	\$ 1,809,659

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 108,807	\$ 230,249
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	76,842	60,260
Loss on sale of assets	-	1,860
Unrealized loss (gain) on beneficial interest in trust	35,792	(24,446)
Realized and unrealized (gain) loss on investments	74,640	(92,195)
Donated investments	(2,751)	(5,234)
Debt forgiveness	(150,617)	(155,117)
Accrued interest	617	1,227
(Increase) decrease in:		
Assets held on behalf of others	53,264	(12,751)
Accounts receivable, net	1,846	(111,505)
Contributions receivable, net	(89,271)	99,174
Prepaid expenses	18,934	(8,011)
Deposits	48,016	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,441	25,753
Pass through liability	(53,264)	12,751
Deferred revenue	29,681	(49,190)
Net cash provided by (used in) operating activities	153,977	(27,175)
Cash flows from investing activities:		
Purchase of investments	(473,495)	(246,039)
Proceeds from sale of investments	464,319	237,214
Purchase of property and equipment	(366,557)	(262,665)
Website development costs	(15,329)	-
Net cash used in investing activities	(391,062)	(271,490)
Cash flows from financing activities:		
Payment of loan fees	(4,852)	-
Proceeds from Paycheck Protection Program loan	-	150,000
Payments made on notes payable	(65,040)	(44,912)
Net cash provided by (used in) financing activities	(69,892)	105,088
Net decrease in cash and cash equivalents	(306,977)	(193,577)
Cash and cash equivalents - beginning	1,663,520	1,857,097
Cash and cash equivalents - ending	\$ 1,356,543	\$ 1,663,520

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30	2022	2021
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Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ 45,274	\$ 27,336
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Supplemental schedule of noncash investing and financing activities:

Acquisition of property through long-term debt	807,500	-
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Donated stock received for payment on contribution receivable	-	111,486
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See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies:

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 wellbeing. The volunteer program offers training on horse care, rehabilitation of abused and neglected horses, stable management and teaches compassion to adults and young adults (five years and older). Through the humane/environmental educational programming, the Organization staff/volunteers visit schools, elder care facilities, civic organizations, 4-H clubs, pony clubs, scouts, and other community organizations for meet and greets with equine ambassadors and to provide education 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 and become advocates for equine welfare. The Organization provides support services to law enforcement, 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 first responder agencies and horse owners in large animal rescue techniques. The Organization also provides emergency rescue services to horses at the request of law enforcement, 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. On November 3, 2021, the Organization finalized the purchase of the adjacent property for \$950,000. See Notes 5 and 8 for further details.

Basis of presentation - The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are reported at fair value and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. Investment return is reported net external and direct internal investment expenses. 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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

Accounts receivable - Accounts receivable includes receivables for program service fees and sales. Accounts receivable are presented at the original amounts less an estimate for doubtful accounts. The Organization's management periodically reviews the status of these balances for collectability. As a result of these reviews, the Organization establishes an allowance for doubtful accounts to estimate the portion of these receivables that may not be collected. When indications that the balance will indeed be uncollectible are either received from the contributor or assumed by management, the receivable is written-off. At June 30, 2022 and 2021, the allowance for doubtful accounts for accounts receivable totaled \$-0-.

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 presented at the original amounts less an estimate for doubtful accounts. The Organization's management periodically reviews the status of these balances for collectability. As a result of these reviews, the Organization establishes an allowance for doubtful accounts to estimate the portion of these receivables that may not be collected. When indications that the balance will indeed be uncollectible are either received from the contributor or assumed by management, the receivable is written-off. Management considers all amounts to be fully collectible as of June 30, 2022 and 2021. Accordingly, an allowance for doubtful accounts for contributions receivable has not been established.

Property and equipment - Property and equipment are stated at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Assets costing in excess of \$5,000 with a useful life greater than three years are capitalized. Property and equipment are depreciated and amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings and improvements	39 years
Furniture and fixtures	10-25 years
Farm equipment	3-15 years
Vehicles	3-5 years
Office and computer equipment	3-5 years

Depreciation expense for the years ended June 30, 2022 and 2021 was \$75,565 and \$60,260, respectively. Included in property and equipment are expenses incurred in the process of acquiring the land and structures adjacent to the existing property. The purchase has been completed during the year ended June 30, 2022 (see note 8) and the Organization began depreciating these expenses.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

Website development costs - The Organization accounts for website development costs in accordance with ASC 350-40 (Accounting for Internal Use Software Costs). Under ASC 350-40, all costs related to the planning activities of software and website development costs are expensed as incurred. Costs incurred as part of the application development stage can be capitalized, and costs associated with post-implementation should be expensed as incurred. Costs incurred by the Organization as of June 30th are as follows:

	<u>2022</u>	<u>2021</u>
Website development costs	\$ 15,329	\$ -
Accumulated amortization	<u>(1,277)</u>	<u>-</u>
Total website development costs	<u>\$ 14,052</u>	<u>\$ -</u>

Amortization expense for the years ended June 30, 2022 and 2021 was \$1,277 and \$-0-, respectively. These costs will be amortized over three years as the project was completed as follows:

2023	\$ 5,109
2024	5,109
2025	3,834

Net assets - In the accompanying financial statements, net assets and revenue have been classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - include revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.

Net assets with donor restrictions - include revenue and contributions to be maintained in perpetuity or subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

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.

Advertising expense - The Organization expenses the cost of advertising as incurred. Advertising expense was \$10,123 and \$8,123 for the years ended June 30, 2022 and 2021, respectively.

Revenue recognition - The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. 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.

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. 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. Annual fundraising events are recognized in the period the event takes place. Sales of used tack and other items are recognized in the period the items are sold.

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.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

Disaggregation of revenue - In accordance with ASU 2014-09, the Organization disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue. All revenue is recognized at a point in time, when the relevant performance obligations have been met. Contract liabilities as of June 30, 2022, 2021 and 2020 was \$29,681, \$-0-, and \$49,190, respectively.

Accounting for uncertainty in income taxes - The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for uncertain tax positions. Interest and penalties, if any, are accrued as a component of general and administrative expenses when assessed. Days End Farm Horse Rescue, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Similar to other tax-exempt organizations, the Organization is subject to tax on unrelated business income. Tax years prior to 2019 are no longer subject to examination by taxing authorities.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties - The Organization maintains cash and cash equivalents with commercial banks and a securities broker-dealer. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to specified limits. At various times throughout the years ended June 30, 2022 and 2021, cash balances at these institutions exceeded the federally insured limits. The Organization has not experienced any losses with respect to its cash balances.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a pandemic. While the impact of COVID-19 is expected to be temporary, the continued existence of COVID-19 and its impact on society and industries may continue to adversely affect the Organization's operations and financial condition.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

Fair value measurements - The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation technique used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the technique used at June 30, 2022 and 2021.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Summary of significant accounting policies: (continued)

Fair value measurements (continued) -

- Mutual funds: valued at the daily closing price as reported by the fund.
- Equities: valued at the daily closing price as reported by the fund.
- Beneficial interest in Trust: Valued using one third the fair value of the assets held in the trust reported by the trustee as of June 30, 2022 and 2021. The Organization considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on one third the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Recent accounting pronouncements not yet adopted - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The guidance is effective for the Organization's fiscal year 2023. Management is currently determining the impact that adoption of this guidance will have on the Organization's financial statements.

Change in accounting principle - During the year ended June 30, 2022, the Organization adopted ASU 2020-07-*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to provide a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. The Organization applied the requirements retrospectively for the years ended June 30, 2022 and 2021. ASU 2020-07 will not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 2: Liquidity and availability:

The following reflects the Organization's financial assets on June 30, 2022 and 2021, reduced by amounts that are not available for general use because of donor-imposed purpose restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,356,543	\$ 1,663,520
Accounts receivable	-	1,846
Contributions receivable	159,714	70,443
Investments	<u>735,943</u>	<u>798,656</u>
	2,252,200	2,534,465
Less those unavailable for general expenditure within one year, due to:		
Amounts designated for future purpose and time restrictions	<u>(175,356)</u>	<u>(126,813)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,076,844</u>	<u>\$ 2,407,652</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 investments.

Note 3: Investments:

Investments consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fixed income	\$ 241,558	\$ 232,512
Equities	289,291	359,533
Money market	<u>205,094</u>	<u>206,611</u>
Total investments	<u>\$ 735,943</u>	<u>\$ 798,656</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 3: Investments: (continued)

The table below summarizes, by level within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis, as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 241,558	\$ -	\$ -	\$ 241,558
Equities	289,291	-	-	289,291
Money market	205,094	-	-	205,094
Beneficial interest in trust	-	-	115,837	115,837
Total	\$ 735,943	\$ -	\$ 115,837	\$ 851,780
Less: beneficial interest in trust				(115,837)
Investments				\$ 735,943

The table below summarizes, by level within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis, as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 232,512	\$ -	\$ -	\$ 232,512
Equities	359,533	-	-	359,533
Money market	206,611	-	-	206,611
Beneficial interest in trust	-	-	151,629	151,629
Total	\$ 798,656	\$ -	\$ 151,629	\$ 950,285
Less: beneficial interest in trust				(151,629)
Investments				\$ 798,656

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 4: 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 activity for the beneficial interest in trust, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 151,629	\$ 127,183
Change in fair value	<u>(35,792)</u>	<u>24,446</u>
Balance, end of year	<u>\$ 115,837</u>	<u>\$ 151,629</u>

The change in value of the beneficial interest in trust is included as unrealized gain or loss separate from other investment income in the accompanying statements of activities.

Note 5: Property and equipment:

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,045,391	\$ 688,050
Buildings and improvements	1,860,736	1,058,351
Furniture and fixtures	43,348	43,348
Farm equipment	175,852	161,522
Vehicles	134,358	134,358
Office and computer equipment	<u>15,294</u>	<u>15,294</u>
Total property and equipment	3,274,979	2,100,923
Accumulated depreciation and amortization	<u>(413,849)</u>	<u>(338,285)</u>
Total property and equipment, net	<u>\$ 2,861,130</u>	<u>\$ 1,762,638</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 6: Pass through liability:

The Organization acted as a fiscal sponsor for a state council to provide safe options for horses in transition. The Organization received contributions on behalf of the state council and paid out expenses on their behalf. Such contributions and expenses are reported as a liability in the accompanying statements of financial position. In February of 2022, the Organization assumed all operations of the state council's programs through a transfer agreement ending the pass-through liability for the year ended June 30, 2022.

Note 7: Paycheck Protection Program loan:

In May 2020, the Organization was granted a loan (the "Loan") in the amount of \$153,890 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan carries a term of 24 months and matures in May 2022 and bears interest at a rate of 1.00% per annum. Additionally, in April 2021, the Organization was granted a second loan (the "Loan") in the amount of \$150,000 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan carries a term of 5 years and matures in April 2026 and bears interest at a rate of 1.00% per annum.

The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the current terms of the PPP, the loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loans forgiveness will be reduced if the borrower terminates employees or reduces salaries during the measurement period.

The balance of the loan is included on the statement of financial position as of June 30, 2021, until forgiveness is approved. In February 2021, the May 2020 loan was forgiven and in September 2021, the April 2021 loan was forgiven by the U.S. Small Business Administration, including all principal and accrued interest related to the loans. The income is included as debt forgiveness on the statement of activities. Interest expense of \$325 and \$1,292 was recognized on these loans for the years ended June 30, 2022 and 2021, respectively.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8: Notes payable and line of credit:

In June 2022, the Organization renewed its line of credit with a financial institution with a credit limit of \$300,000 and an interest rate of 3.25%. The line of credit is secured by all personal property owned by the Organization and expires in May 2024. There was no outstanding balance on the line at June 30, 2022 and 2021.

On November 3, 2021, the Organization finalized the purchase of the adjacent property (see Note 1) for \$950,000 which was funded by a promissory note dated November 3, 2021, in the amount of \$807,500, restricted funds of \$100,000, and cash paid by the Organization.

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

	<u>2022</u>	<u>2021</u>
Promissory note dated November 2014, in the amount of \$880,000, with an annual interest rate of 5.24%. On May 2020 the Organization refinanced principal of \$728,359 for an additional 10 years, with an annual interest rate of 3.84%. The note calls for monthly principal and interest payments of \$5,477 for one-hundred-and-nineteen months with a balloon payment of the remaining principal and accrued interest on May 2030. The Organization is in compliance with all loan covenants for the years ended June 30, 2022 and 2021. The note is secured by the property mortgaged.	\$ 631,683	\$ 676,593
Promissory note dated November 3, 2021, in the amount of \$807,500, with an annual interest rate of 3.84%. The note calls for monthly principal and interest payments of \$4,837 for one-hundred-and-two months with a balloon payment of the remaining principal and accrued interest in May 2030. The note is secured by the property mortgaged.	<u>782,518</u>	<u>-</u>
Total notes payable	1,414,201	676,593
Current portion, notes payable	<u>(70,408)</u>	<u>(40,255)</u>
Non-current portion, notes payable	<u>\$ 1,343,793</u>	<u>\$ 636,338</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8: Notes payable and line of credit: (continued)

Interest expense of \$46,859 and \$27,891 was recognized on these notes for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022, aggregate principal payments due on the notes are as follows for the years ended June 30:

2023	\$	70,408
2024		73,156
2025		76,015
2026		78,986
2027		82,073
Thereafter		<u>1,033,563</u>
	\$	<u>1,414,201</u>

Note 9: Net assets with donor restrictions:

Net assets with donor restrictions consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Future buildings and improvements	\$ 119,529	\$ 105,637
Farm equipment	5,000	-
Donor designated projects	2,834	3,407
Horse training	15,173	7,769
ACO go kits	214	-
Youth camp legacy scholarship fund	2,606	-
Electric sling brace	10,000	10,000
Time restricted	199,739	59,890
Beneficial trust	<u>115,837</u>	<u>151,629</u>
Total net assets with donor restrictions	<u>\$ 470,932</u>	<u>\$ 338,332</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 10: Net assets released from restrictions:

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 for the following purposes:

	<u>2022</u>	<u>2021</u>
Future buildings and improvements	\$ -	\$ 67,324
Marketing	-	422
Donor designated projects	1,449	3,891
Farm equipment	7,937	-
Horse training	16,846	5,631
Classes	-	171
METS program	3,580	-
ACO go kits	1,787	-
Robin's Nest	-	3,114
Horse medical expenses	220	-
Community support	-	10,000
Time restricted	79,890	168,098
Total net assets released from restrictions	<u>\$ 111,709</u>	<u>\$ 258,651</u>

Note 11: Contributed services and materials:

The Organization received gifts-in-kind in the form of donated supplies, equipment and services for the years ended June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Farm supplies	\$ 28,618	\$ 58,831
Office supplies	232	477
Guardian program	203,182	162,023
Intern program supplies	682	460
Special events	553	-
Volunteer program supplies	50	-
Veterinary and farrier services	415	9,060
	<u>\$ 233,732</u>	<u>\$ 230,851</u>

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. The Guardian program is designed to aid in the rescue, rehabilitation, training, and adoption for horses over the age of 20, or horses that require special treatment due to medical conditions. Gifts-in-kind for this program include various costs of caring for the horses, including both supplies and veterinary services.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 11: Contributed services and materials: (continued)

All in-kind goods and services are recorded at their going market rate and are considered without donor restrictions in the accompanying statement of activities.

The Organization also maintains a tack shop that is open the third week of every month and sells donated supplies related to the mission of the Organization. Gifts-in-kind for the tack shop are monetized and recognized as revenue without donor restrictions in the accompanying statement of activities once sold as sales of used tack and other items.

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. Unaudited volunteer hours for farm work and data entry totaled 21,246 and 17,653 for the years ended June 30, 2022 and 2021, respectively. The estimated value of these hours are \$265,575 and \$220,663 for the years ended June 30, 2022 and 2021, respectively.

Note 12: Commitments:

On August 1, 2017, the Organization entered into a five-year lease agreement with a related organization for use of other farm land to provide for additional shelter capacity. The lease called for a monthly payment of \$2,500 and was set to expire in August 2022. Subsequent to year end, the lease was renewed and is now set to expire in June 2026. The lease is based on annual analyses of current market rates. Rent expense was \$30,000, for the years ended June 30, 2022 and 2021.

Future minimum lease payments under this lease agreement for the years ending June 30 are as follows:

2023	\$	30,000
2024		30,000
2025		30,000
2026		30,000
		<hr/>
	\$	<u>120,000</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 13: Retirement:

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 \$15,247 and \$11,946 for the years ended June 30, 2022 and 2021, respectively.

Note 14: Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. 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 and amortization have been allocated among programs and supporting services based on use of the assets.

Note 15: Subsequent events:

Subsequent events have been evaluated through November 3, 2022, the date the financial statements were available to be issued.

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