SNYDERCOHN
CPAs and Trusted Advisors

Days End Farm Horse Rescue, Inc.

Financial Statements
and
Independent Auditor's Report

For the Years Ended June 30, 2023 and 2022

Table of Contents

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, 2023 and 2022, 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, 2023 and 2022, 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 opinions.

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

SNYDER COHN, PC
North Bethesda, Maryland
October 31, 2023

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

June 30	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,255,474	$ 1,356,543
Contributions receivable, net	62,718	159,714
Capital campaign receivables, net - current portion	7,867	-
Investments	804,721	735,943
Prepaid expenses	47,991	14,332
Total current assets	2,178,771	2,266,532
Property and equipment, net	2,908,696	2,861,130
Other assets:		
Capital campaign receivables, net - long-term portion	56,533	-
Right of use asset - operating lease	85,155	-
Beneficial interest in trust	119,291	115,837
Deposits	-	1,984
Website development costs, net	8,942	14,052
Total other assets	269,921	131,873
Total assets	$ 5,357,388	$ 5,259,535

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

June 30	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 126,179	$ 114,338
Deferred revenue	26,210	29,681
Operating lease liability, current portion	27,306	-
Notes payable, current portion	73,348	70,408
Total current liabilities	253,043	214,427
Other liabilities:		
Operating lease liability, net of current portion	57,849	-
Notes payable, net of current portion	1,266,806	1,343,793
Total other liabilities	1,324,655	1,343,793
Total liabilities	1,577,698	1,558,220
Commitments		
Net assets:		
Without donor restrictions	3,335,365	3,230,383
With donor restrictions	444,325	470,932
Total net assets	3,779,690	3,701,315
Total liabilities and net assets	$ 5,357,388	$ 5,259,535

Days End Farm Horse Rescue, Inc.

Statement of Activities and Change in Net Assets

For the year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contribution revenue	$ 1,478,249	$ 165,178	$ 1,643,427
Capital campaign	-	97,500	97,500
In-kind contributions	337,369	-	337,369
Legacy scholarship fund	-	160	160
Program service fees	127,389	-	127,389
Events	60,558	-	60,558
Sales of used tack and other items	42,742	-	42,742
Interest and dividend income	25,822	-	25,822
Debt forgiveness	-	-	-
Other income	380	-	380
Net assets released from restrictions	292,899	(292,899)	-
Total revenues	2,365,408	(30,061)	2,335,347
Expenses:			
Program services			
Rescue and rehabilitation	1,732,139	-	1,732,139
Education	115,252	-	115,252
Outreach	82,569	-	82,569
Total program services	1,929,960	-	1,929,960
Supporting services			
Management and general	226,375	-	226,375
Fundraising	124,492	-	124,492
Direct benefit to donors	31,127	-	31,127
Total supporting services	381,994	-	381,994
Total expenses	2,311,954	-	2,311,954
Change in net assets from operating activities	53,454	(30,061)	23,393
Non-operating activities:			
Realized and unrealized gain (loss) on investments	51,528	-	51,528
Unrealized gain, beneficial interest in trust	-	3,454	3,454
Total non-operating activities	51,528	3,454	54,982
Change in net assets	104,982	(26,607)	78,375
Net assets - beginning	3,230,383	470,932	3,701,315
Net assets - ending	$ 3,335,365	$ 444,325	$ 3,779,690

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
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)
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 Functional Expenses

For the year ended June 30, 2023

	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	$ 696,117	$ 54,896	$ 57,491	$ 808,504	$ 109,208	$ 34,773	$ -	$ 143,981	$ 952,485
Contributed supplies	333,799	-	-	333,799	-	-	-	-	333,799
Professional fees	173,619	4,680	6,261	184,560	58,593	61,875	-	120,468	305,028
Occupancy	148,603	18,207	6,739	173,549	17,698	1,698	-	19,396	192,945
Supplies	202,765	538	564	203,867	1,105	333	-	1,438	205,305
Depreciation and amortization	66,266	-	-	66,266	7,647	-	-	7,647	73,913
Equipment rental and maintenance	55,348	548	574	56,470	1,124	339	-	1,463	57,933
Events	636	-	-	636	2,419	2,430	30,061	34,910	35,546
Licenses and subscriptions	24,679	1,946	2,038	28,663	3,993	1,205	-	5,198	33,861
Educational supplies, stipends meals and travel	3,338	31,175	-	34,513	-	-	1,066	1,066	35,579
Bank and internet processing fees	-	-	-	-	21,663	-	-	21,663	21,663
Printing and postage	10,725	2,152	-	12,877	-	12,876	-	12,876	25,753
Advertising	-	-	-	-	873	7,854	-	8,727	8,727
Training and employee relations	11,583	913	957	13,453	1,874	566	-	2,440	15,893
Other operating expenses	1,013	186	7,942	9,141	178	54	-	232	9,373
Office expense	78	11	3	92	-	489	-	489	581
Contributed services	3,570	-	-	3,570	-	-	-	-	3,570
Total expenses	$ 1,732,139	$ 115,252	$ 82,569	$ 1,929,960	$ 226,375	$ 124,492	$ 31,127	$ 381,994	$ 2,311,954

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Functional Expenses

For the year ended June 30, 2022

	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	$ 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

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 78,375	$ 108,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,913	76,842
Unrealized loss (gain) on beneficial interest in trust	(3,455)	35,792
Realized and unrealized (gain) loss on investments	(82,155)	74,640
Donated investments	(448)	(2,751)
Capital campaign contributions	(97,500)	-
Adjustment to right of use asset - operating	26,274	-
Debt forgiveness	-	(150,617)
Accrued interest	-	617
(Increase) decrease in:		
Assets held on behalf of others	-	53,264
Accounts receivable, net	-	1,846
Contributions receivable, net	96,996	(89,271)
Prepaid expenses	(33,659)	18,934
Deposits	1,984	48,016
Increase (decrease) in:		
Accounts payable and accrued expenses	11,841	1,441
Pass through liability	-	(53,264)
Deferred revenue	(3,471)	29,681
Operating lease liability	(26,274)	-
Net cash provided by operating activities	42,421	153,977
Cash flows from investing activities:		
Purchase of investments	(522,081)	(473,495)
Proceeds from sale of investments	535,906	464,319
Purchase of property and equipment	(116,368)	(366,557)
Website development costs	-	(15,329)
Net cash used in investing activities	(102,543)	(391,062)
Cash flows from financing activities:		
Proceeds from capital campaign contributions	33,100	-
Payment of loan fees	-	(4,852)
Payments made on notes payable	(74,047)	(65,040)
Net cash used in financing activities	(40,947)	(69,892)
Net decrease in cash and cash equivalents	(101,069)	(306,977)
Cash and cash equivalents - beginning	1,356,543	1,663,520
Cash and cash equivalents - ending	$ 1,255,474	$ 1,356,543

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30		2023		2022
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	53,731	$	45,274
Supplemental schedule of noncash investing and financing activities:				
Acquisition of property through long-term debt		-		807,500
Right of use asset obtained in exchange for lease liability - operating		111,429		-

See Accompanying Notes

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.

During 2023, the Organization implemented a capital campaign with a fundraising goal of $5.25 million. Improvements will be made to enhance the program capabilities with an indoor rehabilitation and training center, critical care barn and intern housing. Additionally, renovation of the previous acquired “firehouse” will be completed to expand the community outreach efforts.

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.

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

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.

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, 2023 and 2022. Accordingly, an allowance for doubtful accounts for contributions receivable has not been established.

Capital campaign receivables - Capital campaign receivables are unconditional promises to give that are recognized as contributions when the promise is received. All promises tracked in this account are restricted and relate to the Organization's capital campaign. All contributions receivable are expected to be collected over multiple years 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, 2023 and 2022. Accordingly, an allowance for doubtful accounts for capital campaign receivable has not been established.

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

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, 2023 and 2022 was $68,803 and $75,565, 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).

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:

	2023	2022
Website development costs	$ 15,329	$ 15,329
Accumulated amortization	(6,387)	(1,277)
Total website development costs	$ 8,942	$ 14,052

Amortization expense for the years ended June 30, 2023 and 2022 was $5,110 and $1,277, respectively. These costs will be amortized over two years as the project was completed as follows:

2024	$ 5,109
2025	3,833

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

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.

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 $8,727 and $10,123 for the years ended June 30, 2023 and 2022, 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.

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

Revenue recognition (continued) - 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.

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, 2023, 2022, and 2021 were $26,210, $29,681, and $-0-, 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 2020 are no longer subject to examination by taxing authorities.

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

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, 2023 and 2022, cash balances at these institutions exceeded the federally insured limits. The Organization has not experienced any losses with respect to its cash balances.

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.

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

Fair value measurements (continued) - 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, 2023 and 2022.

- 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, 2023 and 2022. 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.

Change in accounting principle - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is the leasing standard for both lessees and lessors. The Organization adopted Topic 842 for the year ended June 30, 2023. Under Topic 842, 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 has determined that the impact that adoption of this guidance did not impact the Organization's financial statements for fiscal year 2022 and the years preceding it since the Organization's lease was new in fiscal year 2023.

Note 2: Liquidity and availability:

The following reflects the Organization's financial assets on June 30, 2023 and 2022, reduced by amounts that are not available for general use because of donor-imposed purpose restrictions within one year of the balance sheet date.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 1,255,474	$ 1,356,543
Contributions receivable, net	62,718	159,714
Capital campaign receivables	64,400	-
Investments	804,721	735,943
	2,187,313	2,252,200
Less those unavailable for general expenditure within one year, due to:		
Amounts designated for future purpose and time restrictions	(241,004)	(175,356)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,946,309	$ 2,076,844

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 per the Organization's investment policy.

Note 3: Investments:

Investments consisted of the following at June 30, 2023 and 2022:

	2023	2022
Fixed income	$ 261,541	$ 241,558
Equities	325,903	289,291
Money market	217,277	205,094
Total investments	$ 804,721	$ 735,943

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, 2023:

	Level 1	Level 2	Level 3	Total
Fixed income	$ 261,541	$ -	$ -	$ 261,541
Equities	325,903	-	-	325,903
Money market	217,277	-	-	217,277
Beneficial interest in trust	-	-	119,291	119,291
Total	$ 804,721	$ -	$ 119,291	$ 924,012
Less: beneficial interest in trust				(119,291)
Investments				$ 804,721

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

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:

	2023	2022
Balance, beginning of year	$ 115,837	$ 151,629
Change in fair value	3,454	(35,792)
Balance, end of year	$ 119,291	$ 115,837

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:

	2023	2022
Land	$ 1,045,391	$ 1,045,391
Buildings and improvements	1,958,898	1,860,736
Furniture and fixtures	43,348	43,348
Farm equipment	194,060	175,852
Vehicles	134,358	134,358
Office and computer equipment	15,294	15,294
Total property and equipment	3,391,349	3,274,979
Accumulated depreciation and amortization	(482,653)	(413,849)
Total property and equipment, net	$ 2,908,696	$ 2,861,130

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. 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. Such contributions and expenses were reported as a liability in the accompanying statements of financial position.

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 was 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 $-0- and $325 was recognized on these loans for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022.

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

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:

	2023	2022
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, 2023 and 2022. The note is secured by the property mortgaged.	$ 584,970	$ 631,683
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.	755,184	782,518
Total notes payable	1,340,154	1,414,201
Current portion, notes payable	(73,348)	(70,408)
Non-current portion, notes payable	$ 1,266,806	$ 1,343,793

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

Interest expense of $55,067 and $46,859 was recognized on these notes for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023, aggregate principal payments due on the notes are as follows for the years ended June 30:

2024	$ 73,348
2025	76,211
2026	79,190
2027	82,284
2028	85,500
Thereafter	943,621
	$ 1,340,154

Note 9: Net assets with donor restrictions:

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

	2023	2022
Future buildings and improvements	$ 104,179	$ 119,529
Capital campaign	97,500	-
Farm equipment	-	5,000
Donor designated projects	6,333	2,834
Horse training	-	15,173
ACO go kits	-	214
METS Program	3,499	-
Youth camp legacy scholarship fund	4,002	2,606
Education programs	16,777	-
Electric sling brace	10,000	10,000
Time restricted	82,743	199,739
Beneficial trust	119,292	115,837
Total net assets with donor restrictions	$ 444,325	$ 470,932

Note 10: Net assets released from restrictions:

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 for the following purposes:

	2023	2022
Buildings and improvements	$ 15,550	$ -
Farm equipment	5,000	7,937
Donor designated projects	1,655	1,449
Horse training	19,694	16,846
ACO go kits	213	1,787
METS program	7,765	3,580
Education programs	6,223	-
Horse medical expenses	57,060	220
Time restricted	179,739	79,890
Total net assets with donor restrictions	$ 292,899	$ 111,709

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, 2023 and 2022 as follows:

	2023	2022
Farm supplies	$ 140,460	$ 28,618
Farm equipment	11,173	-
Office supplies	853	232
Office equipment	100	-
Education programs	494	-
Guardian program	180,544	203,182
Intern program supplies	-	682
Special events	175	553
Volunteer program supplies	-	50
Veterinary and farrier services	3,570	415
	$ 337,369	$ 233,732

Note 11: Contributed services and materials: (continued)

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.

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 20,761 and 21,246 for the years ended June 30, 2023 and 2022, respectively. The estimated value of these hours are $259,513 and $265,575 for the years ended June 30, 2023 and 2022, respectively.

Note 12: Commitments:

Beginning on July 1, 2022, the Organization began to account for its office space lease under the guidance within ASU 2016-02 *Leases* (Topic 842). Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right of use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities were recognized at the date of adoption of the standard (July 1, 2022) based on the present value of lease payments over the remaining lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's office lease did not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at adoption of the policy. The Organization has chosen to use their incremental borrowing rate on the main farm and firehouse loans (3.84%) to calculate the ROU asset and liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 12: Commitments: (continued)

On July 1, 2022, the Organization entered into a four-year lease agreement with a related organization for use of other farmland to provide for additional shelter capacity. The lease calls for a monthly payment of $2,500 and will 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, 2023 and 2022.

Maturities of operating lease liability for the years ending June 30 are as follows:

2024	$	30,000
2025		30,000
2026		30,000
Total lease payments		90,000
Less: interest		(4,845)
Present value of lease liability	$	85,155

Additional information on the Organization's lease as of June 30, 2023 is as follows:

Lease costs:		
Operating lease costs	$	30,000
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	$	26,274
Right of use assets obtained in exchange for:		
New operating lease liability	$	111,429
Weighted-average remaining lease term:		
Operating lease		3 years
Weighted-average discount rate:		
Operating lease		3.84%

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 $17,531 and $15,247 for the years ended June 30, 2023 and 2022, 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: Concentrations:

Approximately 39% of the Organization's total receivables balance as of June 30, 2023 is made up of large donations from two individual donors which are restricted for use in the capital campaign. Approximately 63% of the Organization's total receivables balance as of June 30, 2022 is made up of a large donation from one donor which was restricted for time.

Note 16: Subsequent events:

Subsequent events have been evaluated through October 31, 2023, the date the financial statements were available to be issued.

Snyder Cohn, PC
CPAs and Trusted Advisors
11200 Rockville Pike, Suite 415
North Bethesda, MD 20852
www.snydercohn.com
301-652-6700