

Days End Farm Horse Rescue, Inc.

Financial Statements
and
Independent Auditor's Report

For the Years Ended June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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
North Bethesda, Maryland
October 27, 2025

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

<u>June 30</u>	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,056,733	\$ 1,288,699
Contributions receivable, net	185,755	164,487
Capital campaign receivables, net	403,639	191,737
Investments	1,233,592	987,972
Prepaid expenses	48,996	57,997
Total current assets	<u>3,928,715</u>	<u>2,690,892</u>
Property and equipment, net	<u>3,114,208</u>	<u>2,981,973</u>
Other assets:		
Capital campaign receivables, net	357,895	381,684
Right of use asset - operating lease	29,481	57,851
Beneficial interest in trust	133,354	128,612
Deposits	20,000	-
Website development costs, net	-	3,832
Total other assets	<u>540,730</u>	<u>571,979</u>
Total assets	<u>\$ 7,583,653</u>	<u>\$ 6,244,844</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Financial Position

<u>June 30</u>	<u>2025</u>	<u>2024</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 162,502	\$ 119,245
Deferred revenue	22,300	22,385
Operating lease liability, current portion	29,481	28,372
Notes payable, current portion	79,497	76,322
Total current liabilities	<u>293,780</u>	<u>246,324</u>
Other liabilities:		
Operating lease liability, net of current portion	-	29,479
Notes payable, net of current portion	1,103,749	1,186,973
Total other liabilities	<u>1,103,749</u>	<u>1,216,452</u>
Total liabilities	<u>1,397,529</u>	<u>1,462,776</u>
Commitments		
Net assets:		
Without donor restrictions -		
Undesignated	3,690,564	3,385,441
Designated by management for capital campaign	276,754	-
With donor restrictions	<u>2,218,806</u>	<u>1,396,627</u>
Total net assets	<u>6,186,124</u>	<u>4,782,068</u>
Total liabilities and net assets	<u>\$ 7,583,653</u>	<u>\$ 6,244,844</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Activities and Change in Net Assets

For the year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Grants and contribution revenue	\$ 2,087,395	\$ 221,109	\$ 2,308,504
Capital campaign, net of discount	-	830,830	830,830
In-kind contributions	202,551	-	202,551
Program service fees	102,127	-	102,127
Events	67,486	-	67,486
Sales of used tack and other items	33,266	-	33,266
Interest and dividend income	56,132	-	56,132
Other income	50	-	50
Net assets released from restrictions	234,502	(234,502)	-
Total revenues	<u>2,783,509</u>	<u>817,437</u>	<u>3,600,946</u>
Expenses:			
Program services			
Rescue and rehabilitation	1,381,793	-	1,381,793
Education	335,304	-	335,304
Outreach	139,182	-	139,182
Total program services	<u>1,856,279</u>	<u>-</u>	<u>1,856,279</u>
Supporting services			
Management and general	259,690	-	259,690
Fundraising	106,400	-	106,400
Direct benefit to donors	35,487	-	35,487
Total supporting services	<u>401,577</u>	<u>-</u>	<u>401,577</u>
Total expenses	<u>2,257,856</u>	<u>-</u>	<u>2,257,856</u>
Change in net assets from operating activities	<u>525,653</u>	<u>817,437</u>	<u>1,343,090</u>
Non-operating activities:			
Realized and unrealized gain on investments	56,224	-	56,224
Unrealized gain, beneficial interest in trust	-	4,742	4,742
Total non-operating activities	<u>56,224</u>	<u>4,742</u>	<u>60,966</u>
Change in net assets	581,877	822,179	1,404,056
Net assets - beginning	<u>3,385,441</u>	<u>1,396,627</u>	<u>4,782,068</u>
Net assets - ending	<u>\$ 3,967,318</u>	<u>\$ 2,218,806</u>	<u>\$ 6,186,124</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Activities and Change in Net Assets

For the year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Grants and contribution revenue	\$ 1,685,050	\$ 277,723	\$ 1,962,773
Capital Campaign, net of discount	-	842,231	842,231
In-kind contributions	294,062	-	294,062
Program service fees	118,626	-	118,626
Events	71,602	-	71,602
Sales of used tack and other items	32,238	-	32,238
Interest and dividend income	46,057	-	46,057
Other income	149	-	149
Net assets released from restrictions	176,972	(176,972)	-
Total revenues	<u>2,424,756</u>	<u>942,982</u>	<u>3,367,738</u>
Expenses:			
Program services			
Rescue and rehabilitation	1,402,318	-	1,402,318
Education	333,788	-	333,788
Outreach	168,673	-	168,673
Total program services	<u>1,904,779</u>	<u>-</u>	<u>1,904,779</u>
Supporting services			
Management and general	289,347	-	289,347
Fundraising	208,730	-	208,730
Direct benefit to donors	30,742	-	30,742
Total supporting services	<u>528,819</u>	<u>-</u>	<u>528,819</u>
Total expenses	<u>2,433,598</u>	<u>-</u>	<u>2,433,598</u>
Change in net assets from operating activities	<u>(8,842)</u>	<u>942,982</u>	<u>934,140</u>
Non-operating activities:			
Realized and unrealized gain on investments	58,918	-	58,918
Unrealized gain, beneficial interest in trust	-	9,320	9,320
Total non-operating activities	<u>58,918</u>	<u>9,320</u>	<u>68,238</u>
Change in net assets	50,076	952,302	1,002,378
Net assets - beginning	<u>3,335,365</u>	<u>444,325</u>	<u>3,779,690</u>
Net assets - ending	<u>\$ 3,385,441</u>	<u>\$ 1,396,627</u>	<u>\$ 4,782,068</u>

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Functional Expenses

For the year ended June 30, 2025

	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	\$ 463,427	\$ 224,198	\$ 108,099	\$ 795,724	\$ 125,437	\$ 55,886	\$ -	\$ 181,323	\$ 977,047
Contributed supplies	174,740	-	-	174,740	-	-	-	-	174,740
Professional fees	175,393	11,565	5,590	192,548	72,811	2,105	-	74,916	267,464
Occupancy	151,866	29,730	9,971	191,567	20,445	2,825	-	23,270	214,837
Supplies	208,429	2,062	994	211,485	1,217	533	-	1,750	213,235
Depreciation and amortization	68,222	-	-	68,222	6,143	-	-	6,143	74,365
Equipment rental and maintenance	53,914	2,417	1,166	57,497	1,427	624	-	2,051	59,548
Bad debt expense	-	-	-	-	9,857	-	-	9,857	9,857
Events	-	-	-	-	2,175	-	33,299	35,474	35,474
Licenses and subscriptions	19,297	9,336	4,501	33,134	5,510	2,411	-	7,921	41,055
Educational supplies, stipends meals and travel	3,540	45,325	-	48,865	-	-	2,188	2,188	51,053
Bank and internet processing fees	-	-	-	-	10,945	-	-	10,945	10,945
Printing and postage	24,620	6,006	-	30,626	-	30,626	-	30,626	61,252
Advertising	577	30	-	607	1,013	9,120	-	10,133	10,740
Training and employee relations	8,644	4,182	2,016	14,842	2,468	1,080	-	3,548	18,390
Other operating expenses	837	429	6,839	8,105	242	106	-	348	8,453
Office expense	476	24	6	506	-	1,084	-	1,084	1,590
Contributed services	27,811	-	-	27,811	-	-	-	-	27,811
Total expenses	\$ 1,381,793	\$ 335,304	\$ 139,182	\$ 1,856,279	\$ 259,690	\$ 106,400	\$ 35,487	\$ 401,577	\$ 2,257,856

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024

	Programs				Supporting Services					Total
	Rescue and Rehabilitation	Education	Outreach	Total Program	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services		
Salaries and payroll expenses	\$ 480,628	\$ 244,187	\$ 132,445	\$ 857,260	\$ 114,953	\$ 52,552	\$ -	\$ 167,505	\$ 1,024,765	
Contributed supplies	289,691	-	-	289,691	-	-	-	-	289,691	
Professional fees	165,125	11,026	12,646	188,797	84,722	122,914	-	207,636	396,433	
Occupancy	145,948	28,198	9,930	184,076	18,588	2,203	-	20,791	204,867	
Supplies	181,724	2,439	1,323	185,486	1,208	547	-	1,755	187,241	
Depreciation and amortization	60,577	-	-	60,577	7,420	-	-	7,420	67,997	
Equipment rental and maintenance	33,061	1,823	989	35,873	904	408	-	1,312	37,185	
Bad debt expense	-	-	-	-	32,468	-	-	32,468	32,468	
Events	1,256	-	-	1,256	2,453	2,387	27,215	32,055	33,311	
Licenses and subscriptions	18,451	9,374	5,085	32,910	4,646	2,097	-	6,743	39,653	
Educational supplies, stipends meals and travel	1,927	30,690	-	32,617	-	-	3,527	3,527	36,144	
Bank and internet processing fees	-	-	-	-	19,135	-	-	19,135	19,135	
Printing and postage	11,981	2,321	-	14,302	-	14,302	-	14,302	28,604	
Advertising	-	-	-	-	1,017	9,154	-	10,171	10,171	
Training and employee relations	6,772	3,441	1,866	12,079	1,705	770	-	2,475	14,554	
Other operating expenses	510	259	4,382	5,151	128	58	-	186	5,337	
Office expense	296	30	7	333	-	1,338	-	1,338	1,671	
Contributed services	4,371	-	-	4,371	-	-	-	-	4,371	
Total expenses	\$ 1,402,318	\$ 333,788	\$ 168,673	\$ 1,904,779	\$ 289,347	\$ 208,730	\$ 30,742	\$ 528,819	\$ 2,433,598	

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 1,404,056	\$ 1,002,378
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	74,365	67,997
Bad debt	500	-
Unrealized gain on beneficial interest in trust	(4,742)	(9,320)
Realized and unrealized gain on investments	(56,224)	(58,918)
Donated investments	(150,938)	(98,842)
Capital campaign contributions	(948,514)	(885,710)
Change in net present value adjustment on capital campaign pledges	(10,342)	43,479
Change in allowance for uncollectable pledges	9,357	32,468
Adjustment to right of use asset - operating	28,370	27,304
(Increase) decrease in:		
Contributions receivable, net	(21,768)	(101,769)
Prepaid expenses	9,001	(10,006)
Deposits	(20,000)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	43,257	(6,934)
Deferred revenue	(85)	(3,825)
Operating lease liability	(28,370)	(27,304)
Net cash provided by (used in) operating activities	327,923	(29,002)
Cash flows from investing activities:		
Purchase of investments	(364,306)	(228,772)
Proceeds from sale of investments	325,848	203,281
Purchase of property and equipment	(202,768)	(136,165)
Net cash used in investing activities	(241,226)	(161,656)
Cash flows from financing activities:		
Proceeds from capital campaign contributions	761,386	300,742
Payments made on notes payable	(80,049)	(76,859)
Net cash provided by financing activities	681,337	223,883
Net increase in cash and cash equivalents	768,034	33,225
Cash and cash equivalents - beginning	1,288,699	1,255,474
Cash and cash equivalents - ending	\$ 2,056,733	\$ 1,288,699

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Statements of Cash Flows

For the years ended June 30	2025	2024
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Supplemental disclosure of cash flow information:

Cash paid during the year for:		
Interest	\$ 47,630	\$ 50,878

See Accompanying Notes

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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 2023, the Organization implemented a capital campaign with a fundraising goal of \$5.75 million. Improvements are planned 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.

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 of 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, 2025 and 2024

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

Contributions receivable - Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. 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 has directly written off \$500 and \$-0- for the years ended June 30, 2025 and 2024, respectively. The remaining amounts of bad debt expense relate to the allowance for Capital Campaign receivables.

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 as well as a net present value discount. 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 has estimated that 5.00% of capital campaign pledges receivable as of both June 30, 2025 and 2024 may be uncollectible, so an allowance of \$41,825 and \$32,468 was recorded for the years ended June 30, 2025 and June 30, 2024, respectively. Also, pledges expected to be received more than one year from the date of the statement of financial position are discounted at a rate of 5.00%. This discount was \$33,137 and \$43,479 for the years ended June 30, 2025 and June 30, 2024, respectively, and is netted against the Capital Campaign revenue.

Capital campaign receivables as of June 30, 2025 are expected to be received as follows:

2026	\$	403,639
2027		219,732
2028		146,937
2029		66,188
		<hr/>
		836,496
Less allowance and net present value discount		<hr/>
		(74,962)
Net capital campaign receivables	\$	<hr/>
		761,534

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024 was \$70,533 and \$62,887, 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 6).

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>2025</u>	<u>2024</u>
Website development costs	\$ 15,329	\$ 15,329
Accumulated amortization	<u>(15,329)</u>	<u>(11,497)</u>
Total website development costs	<u>\$ -</u>	<u>\$ 3,832</u>

Amortization expense for the years ended June 30, 2025 and 2024 was \$3,832 and \$5,110, respectively. These costs were fully amortized in 2025 over one year as the project was completed. There was no remaining future amortization expense as of June 30, 2025.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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.

The amounts restricted for the capital campaign will not be released from restrictions until the related building and improvements are placed in service as they are designated for the improvement of long-lived assets.

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 \$10,740 and \$10,171 for the years ended June 30, 2025 and 2024, 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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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

Revenue recognition (continued) - 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.

As of June 30, 2024, the Organization has entered into \$1,350,000 of capital grant awards with the State of Maryland that will assist with the improvements previously discussed as the reason for the capital campaign. These capital grant awards are matching fund awards and the Organization will only receive reimbursement for eligible expenses after going through a specific approval process unique to these awards. Once the Organization has met the matching fund requirements, the Organization has seven years from the time of entering into the agreement to request reimbursement for eligible expenses. Given the uncertainty of which specific expenses will be reimbursed and the uncertainty of the timing of the reimbursement from the State of Maryland, the Organization will record contribution revenue on these awards once the money is received from the State. As of June 30, 2025 and 2024, \$228,026 and \$100,000 of the total \$1,350,000 capital grant awards have been received by the Organization.

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, 2025, 2024, and 2023 were \$22,300, \$22,385, and \$26,210, respectively.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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

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 2022 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, 2025 and 2024, 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 Organization has the ability to access.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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

Fair value measurements (continued) -

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 techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the techniques used at June 30, 2025 and 2024.

- 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, 2025 and 2024. 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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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

New accounting pronouncements - On July 1, 2024, the Organization adopted ASU 2016-13 Financial Instruments - Credit Losses (topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with a current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. The Organization adopted ASC 326 using the modified method for all financial assets measured at amortized costs. The Organization has analyzed its financial assets and deemed that no adjustment is necessary. Therefore, total net assets and changes in net assets are unchanged due to the adoption of this new standard. The Organization will continue to analyze their financial assets for expected credit loss under this new standard.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2: Liquidity and availability:

The following reflects the Organization's financial assets on June 30, 2025 and 2024, reduced by amounts that are not available for general use because of donor-imposed purpose restrictions within one year of the balance sheet date.

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 2,056,733	\$ 1,288,699
Contributions receivable, net	185,755	132,019
Capital campaign receivables, net	761,534	605,889
Investments	1,233,592	987,972
	<u>4,237,614</u>	<u>3,014,579</u>
Less those unavailable for general expenditure within one year, due to:		
Amounts designated for future purpose and time restrictions	(1,899,697)	(1,103,529)
Internally designated funds (capital campaign)	<u>(276,754)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,061,163</u>	<u>\$ 1,911,050</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 2: Liquidity and availability: (continued)

At June 30, 2025 and 2024, the Organization had internally designated \$276,754 and \$-0- as funds for the capital campaign, respectively. These funds are considered to be net assets without donor restrictions as the Organization reserves the right to use these funds for general purposes if such a situation would arise that the Organization would need these funds for general use.

The Organization's goal is generally to maintain financial assets to meet three to six months of operating expenses (500,000 to \$1,000,000). As part of its liquidity plan, excess cash is held or invested in accordance with the Organization's net asset and investment policy.

Note 3: Investments:

Investments consisted of the following at June 30, 2025 and 2024:

	2025	2024
Fixed income	\$ 638,105	\$ 297,588
Equities	353,881	460,415
Money market	241,606	229,969
Total investments	\$ 1,233,592	\$ 987,972

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, 2025:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 638,105	\$ -	\$ -	\$ 638,105
Equities	353,881	-	-	353,881
Money market	241,606	-	-	241,606
Beneficial interest in trust	-	-	133,354	133,354
Total	\$ 1,233,592	\$ -	\$ 133,354	\$ 1,366,946
Less: beneficial interest in trust				(133,354)
Investments				\$ 1,233,592

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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, 2024:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 297,588	\$ -	\$ -	\$ 297,588
Equities	460,415	-	-	460,415
Money market	229,969	-	-	229,969
Beneficial interest in trust	-	-	128,612	128,612
Total	\$ 987,972	\$ -	\$ 128,612	\$ 1,116,584
Less: beneficial interest in trust				(128,612)
Investments				\$ 987,972

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:

	2025	2024
Balance, beginning of year	\$ 128,612	\$ 119,292
Change in fair value	4,742	9,320
Balance, end of year	\$ 133,354	\$ 128,612

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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 5: Property and equipment:

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

	<u>2025</u>	<u>2024</u>
Land	\$ 1,045,391	\$ 1,045,391
Buildings and improvements	2,258,820	2,095,062
Furniture and fixtures	43,348	43,348
Farm equipment	194,060	194,060
Vehicles	165,176	134,358
Office and computer equipment	<u>15,294</u>	<u>15,294</u>
Total property and equipment	3,722,089	3,527,513
Accumulated depreciation	<u>(607,881)</u>	<u>(545,540)</u>
Total property and equipment, net	<u>\$ 3,114,208</u>	<u>\$ 2,981,973</u>

Note 6: Notes payable and line of credit:

In May 2024, the Organization renewed its line of credit with a financial institution with a credit limit of \$300,000 and a variable interest rate based on the prime rate published in the Wall Street Journal. The line of credit is secured by all personal property owned by the Organization and expired in May 2025. The line of credit was not renewed after its expiration in May 2025.

On November 3, 2021, the Organization finalized the purchase of the adjacent property 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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 6: Notes payable and line of credit: (continued)

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

	2025	2024
<p>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 in May 2030. The Organization is in compliance with all loan covenants for the years ended June 30, 2025 and 2024. The note is secured by the property mortgaged.</p>	\$ 485,906	\$ 536,442
<p>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.</p>	697,340	726,853
<p>Total notes payable</p>	1,183,246	1,263,295
<p>Current portion, notes payable</p>	(79,497)	(76,322)
<p>Non-current portion, notes payable</p>	\$ 1,103,749	\$ 1,186,973

Interest expense of \$48,978 and \$52,220 was recognized on these notes for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025, aggregate principal payments due on the notes are as follows for the years ended June 30:

2026	\$ 79,497
2027	82,600
2028	85,828
2029	89,183
2030	92,669
Thereafter	753,469
	\$ 1,183,246

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 7: Net assets without donor restrictions:

Management has resolved to designate a portion of net assets without donor restrictions to enhance the overall long-term security for the Organization to fund its programs and initiatives. These designated funds are held for purposes of funding the capital campaign. Management-designated net assets are comprised of the following:

Capital campaign fund, July 01, 2024	\$	-
Unrestricted income		276,754
Management designated releases		<u>-</u>
Capital campaign fund, June 30, 2025	\$	<u>276,754</u>

Note 8: Net assets with donor restrictions:

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

	<u>2025</u>	<u>2024</u>
Future buildings and improvements	\$ -	\$ 7,960
Capital campaign	1,874,666	1,043,836
Donor designated projects	-	2,733
Horse training	-	3,870
METS Program	14,066	25,786
Youth camp legacy scholarship fund	965	1,851
Education programs	-	4,492
Electric sling brace	10,000	10,000
Leasehold improvements	-	3,000
Time restricted	185,755	164,487
Beneficial trust	<u>133,354</u>	<u>128,612</u>
Total net assets with donor restrictions	<u>\$ 2,218,806</u>	<u>\$ 1,396,627</u>

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 9: Net assets released from restrictions:

Net assets releases consisted of the following for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 27,960	\$ 50,614
Donor designated projects	10,329	13,250
Horse training	3,871	9,429
Hay	5,000	-
Leasehold improvements	3,000	3,000
METS program	14,477	3,840
Education programs	4,492	14,285
Youth camp legacy scholarship fund	886	2,171
Time restricted	<u>164,487</u>	<u>80,383</u>
Total net assets released from restrictions	<u>\$ 234,502</u>	<u>\$ 176,972</u>

Note 10: 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, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Farm supplies	\$ 38,806	\$ 115,292
Farm equipment	-	239
Office supplies	470	262
Office equipment	-	147
Education programs	10	148
Guardian program	134,549	173,097
Special events	905	506
Veterinary and farrier services	7,836	4,371
Training services	<u>19,975</u>	<u>-</u>
	<u>\$ 202,551</u>	<u>\$ 294,062</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, 2025 and 2024

Note 10: 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 30,882 and 31,669 for the years ended June 30, 2025 and 2024, respectively. The estimated value of these hours are \$386,025 and \$395,863 for the years ended June 30, 2025 and 2024, respectively.

Note 11: Commitments:

Beginning on July 1, 2022, the Organization began to account for its barn and pasture 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 barn and pasture 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.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 11: Commitments: (continued)

On July 1, 2022, the Organization entered into a four-year lease agreement with a related organization for use of a barn and pasture facility to provide for additional shelter capacity for the Organization's rescue and rehabilitation program. 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 each of the years ended June 30, 2025 and 2024.

Maturity of operating lease liability for the year ending June 30, 2025 consists of \$30,000 of total lease payments less \$519 of interest. The present value of the lease liability is \$29,481.

Additional information on the Organization's lease is as follows:

	<u>2025</u>	<u>2024</u>
Lease costs:		
Operating lease costs	\$ 30,000	\$ 30,000
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 28,370	\$ 27,304
Weighted-average remaining lease term:		
Operating leases	1.0 years	2.0 years
Weighted-average discount rate:		
Operating leases	3.84%	3.84%

Note 12: 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 \$18,577 and \$19,337 for the years ended June 30, 2025 and 2024, respectively.

Days End Farm Horse Rescue, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 13: 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 14: Concentrations:

Approximately 37% of the Organization's total receivables balance as of June 30, 2025 is made up of large donations from three individual donors, two of which are restricted for use in the capital campaign and one of which is designated by the management for the capital campaign. Approximately 40% of the Organization's total receivables balance as of June 30, 2024 is made up of large donations from two individual donors which are restricted for use in the capital campaign. There are no concentrations of revenue in either year.

Note 15: Subsequent events:

Subsequent events have been evaluated through October 27, 2025, 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