Colorado Horse Rescue

(a nonprofit Colorado corporation)
Longmont, Colorado

Financial Statements

December 31, 2018

Colorado Horse Rescue

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Independent Auditors' Report

To the Board of Directors
Colorado Horse Rescue
Longmont, Colorado

We have audited the accompanying financial statements of Colorado Horse Rescue (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Colorado Horse Rescue as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
August 19, 2019

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Colorado Horse Rescue

Statement of Financial Position

December 31, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,412,903
Investments	1,354,852
Inventories	34,782
Total current assets	2,802,537
Property and Equipment	
Land and buildings	1,198,947
Equipment	112,323
Vehicles	63,779
	1,375,049
Less accumulated depreciation	(485,543)
Net property and equipment	889,506
Total assets	$ 3,692,043
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 8,413
Accrued compensation and benefits	7,937
Total current liabilities	16,350
Net Assets	
Net assets without donor restrictions	3,612,612
Net assets with donor restrictions	63,081
Total net assets	3,675,693
Total liabilities and net assets	$ 3,692,043

The accompanying Notes are an integral
part of these financial statements

Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	**$ 1,531,805**	**$ 71,000**	**$ 1,602,805**
Special events, net	**46,204**	**-**	**46,204**
Net assets released from restrictions			
Satisfaction of program restrictions	**14,588**	**(14,588)**	**-**
Total operating support	**1,592,597**	**56,412**	**1,649,009**
Operating Revenue			
Program services	**75,845**	**-**	**75,845**
Total operating support and revenue	**1,668,442**	**56,412**	**1,724,854**
Operating Expenses			
Program services	**658,861**	**-**	**658,861**
Supporting services			
General and administrative	**146,966**	**-**	**146,966**
Fundraising	**76,229**	**-**	**76,229**
Total operating expenses	**882,056**	**-**	**882,056**
Total operating support and revenue in excess of operating expenses	**786,386**	**56,412**	**842,798**
Other Changes			
Merchandise sales, net	**18,930**	**-**	**18,930**
Gain on sale of equipment	**1,000**	**-**	**1,000**
Net investment loss	**(104,074)**	**-**	**(104,074)**
Total other changes	**(84,144)**	**-**	**(84,144)**
Change in Net Assets	**702,242**	**56,412**	**758,654**
Net Assets, Beginning of Year	**2,910,370**	**6,669**	**2,917,039**
Net Assets, End of Year	**$ 3,612,612**	**$ 63,081**	**$ 3,675,693**

Colorado Horse Rescue

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries and wages	$ 192,295	$ 48,074	$ 42,418	$ 282,787
Employee benefits	14,827	3,707	3,271	21,805
Payroll taxes	20,719	5,180	4,570	30,469
Total personnel costs	227,841	56,961	50,259	335,061
Equine management and training	272,612	-	-	272,612
Contract services	55,120	-	-	55,120
Professional fees	-	54,837	-	54,837
Depreciation	39,832	2,213	2,213	44,258
Other farm management	19,084	-	-	19,084
Repairs and maintenance	10,874	1,359	1,359	13,592
Insurance	8,931	3,827	-	12,758
Occupancy	8,761	1,095	1,095	10,951
Office expenses	2,126	6,377	2,126	10,629
Telephone and internet	850	6,798	850	8,498
Licenses and fees	6,570	1,642	-	8,212
Development expenses	-	-	7,738	7,738
Bank and credit card fees	1,363	2,726	2,726	6,815
Information technology	2,573	1,930	1,930	6,433
Meetings and staff expenses	-	4,789	1,197	5,986
Advertising and marketing	707	-	2,828	3,535
Printing and postage	318	954	1,908	3,180
Dues and subscriptions	1,299	1,299	-	2,598
Miscellaneous expenses	-	159	-	159
Total expenses	$ 658,861	$ 146,966	$ 76,229	$ 882,056

Colorado Horse Rescue

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended December 31, 2018

Cash Flows From Operating Activities	
Change in net assets	**$ 758,654**
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	**44,258**
Gain on sale of equipment	**(1,000)**
Net realized gain on investments	**(31,770)**
Net unrealized loss on investments	**174,909**
Increase (decrease) from changes in assets and liabilities	
Inventories	**(13,871)**
Accounts payable	**(6,489)**
Accrued compensation and benefits	**(7,869)**
Net cash provided by operating activities	**916,822**
Cash Flows From Investing Activities	
Net purchases of investments	**(26,386)**
Purchases of property and equipment	**(40,270)**
Proceeds from sale of property and equipment	**1,000**
Net cash used by investing activities	**(65,656)**
Net Increase in Cash and Cash Equivalents	**851,166**
Cash and Cash Equivalents, Beginning of Year	**561,737**
Cash and Cash Equivalents, End of Year	**$ 1,412,903**

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Colorado Horse Rescue (the Organization) is a Colorado non-profit corporation established in September 1988. The Organization's mission is to provide a safe solution for every horse in need. Through education, care, rehabilitation, and adoption services, the Organization supports horses in vulnerable and sometimes desperate circumstances. The Organization's funding is derived principally from charitable contributions and program service fees.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> *Net Assets Without Donor Restrictions.* Net assets resulting from revenues generated by receiving contributions that have no donor stipulations and receiving investment, merchandise sales, and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
>
> *Net Assets With Donor Restrictions.* Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consists of money market funds, checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The 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 are described below:

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.

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's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values debt and equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at December 31, 2018.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Inventories. Inventories consists of hay and retail merchandise sold at the Organization's retail store, and is stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over $1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally ten to forty years for buildings, five to ten years for equipment, and five years for vehicles. Depreciation expense totaled $44,258 for the year ended December 31, 2018.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the year ended December 31, 2018.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the year ended December 31, 2018 was $3,535.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through August 19, 2019, the date at which the financial statements were available for release.

Note 2 - New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended December 31, 2018, the Organization adopted the requirements of ASU 2016-14 and, as a result, adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements.

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

The financial statements include a new disclosure about liquidity and availability of resources (Note 10).

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 2,910,370	$ -
Temporarily restricted net assets	6,669	-
Net assets without donor restrictions	-	2,910,370
Net assets with donor restrictions	-	6,669
	$ 2,917,039	$ 2,917,039

Note 3 - Fair Value Measurement

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	$ 462,495	$ -	$ -	$ 462,495
Equity funds	383,853	-	-	383,853
Exchange traded funds	136,933	-	-	136,933
Debt and equity securities				
U.S. Equities	362,080	-	-	362,080
Other	9,491	-	-	9,491
	$ 1,354,852	$ -	$ -	$ 1,354,852

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2018, there were no significant transfers in or out of fair value levels.

Net investment loss consisted of the following for the year ended December 31, 2018:

Interest and dividends	$ 52,295
Net realized gain on investments	31,770
Net unrealized loss on investments	(174,909)
	(90,844)
Investment fees	(13,230)
	$ (104,074)

Note 4 - Inventories

Inventories consist of the following at December 31, 2018:

Hay	$ 32,164
Retail merchandise	2,618
	$ 34,782

Note 5 - Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	Auction Horse Rescues	Trainer and Other	Total
Balance, January 1, 2018	$ -	$ 6,669	$ 6,669
Additions	61,000	10,000	71,000
Releases	(7,919)	(6,669)	(14,588)
Balance, December 31, 2018	$ 53,081	$ 10,000	$ 63,081

Note 6 - Operating Lease

The Organization leases equipment under a noncancelable operating lease, which expires in March 2024. Rent expense, including supplies and maintenance, under the lease totaled $4,576 for the year ended December 31, 2018.

Future annual minimum lease payments required under the noncancelable operating lease is as follows at December 31, 2018:

Year	Amount
2019	$ 2,640
2020	2,640
2021	2,640
2022	2,640
2023	2,640
Thereafter	660
	$ 13,860

Note 7 - In-kind Contributions

Contributed materials and services are as follows for the year ended December 31, 2018:

Materials	
Supplies and tack	$ 73,615
Auction items	12,930
Hay	9,533
	96,078
Services	18,676
	$ 114,754

Note 8 - Special Event

The Organization derived net revenue from the Mane Event special fundraising event during the year ended December 31, 2018:

Event contributions	$	**95,580**
Direct costs		**(49,376)**
Net revenue	$	**46,204**

Note 9 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which allows an employee to contribute up to $12,500 of their annual compensation. The Organization provides a matching contribution to the plan up to 3% of the employee's annual compensation. The Organization contributed $2,430 to the plan for the year ended December 31, 2018.

Note 10 - Liquidity and Availability

The Organization had $2,802,537 in financial assets available within one year of December 31, 2018. The Organization receives significant contributions that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the guiding principles.

Note 11 – Concentrations of Credit Risk

Bank Deposits. The Organization routinely maintains cash balances in excess of federally insured limits.

Major Donors. The Organization had two donors that comprised 67% of total support and revenue for the year ended December 31, 2018.