

Colorado Horse Rescue

(a nonprofit Colorado corporation)

Financial Statements

December 31, 2021 and 2020

Colorado Horse Rescue

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Independent Auditor's Report

To the Board of Directors
Colorado Horse Rescue
Longmont, Colorado

Opinion

We have audited the financial statements of Colorado Horse Rescue (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Colorado Horse Rescue as of December 31, 2021 and 2020, 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 Colorado Horse Rescue and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Colorado Horse Rescue's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (continued)

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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Colorado Horse Rescue'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 Colorado Horse Rescue'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.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
July 25, 2022

Colorado Horse Rescue

Statements of Financial Position

| December 31 | 2021 | 2020 |
|-----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,054,954 | \$ 1,965,732 |
| Investments | 1,367,695 | 2,121,960 |
| Inventories | 47,251 | 42,564 |
| Prepaid expenses | 13,187 | 15,186 |
| Total current assets | <u>4,483,087</u> | <u>4,145,442</u> |
| Property and Equipment | | |
| Land and buildings | 1,284,493 | 1,198,969 |
| Equipment | 151,568 | 133,539 |
| Vehicles | 136,655 | 93,238 |
| | <u>1,572,716</u> | <u>1,425,746</u> |
| Less accumulated depreciation | (628,511) | (573,885) |
| Net property and equipment | <u>944,205</u> | <u>851,861</u> |
| Total assets | <u>\$ 5,427,292</u> | <u>\$ 4,997,303</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 33,525 | \$ 13,377 |
| Accrued compensation and benefits | 19,555 | 7,937 |
| Total current liabilities | <u>53,080</u> | <u>21,314</u> |
| Net Assets | | |
| Without donor restrictions | 5,360,912 | 4,945,156 |
| With donor restrictions | 13,300 | 30,833 |
| Total net assets | <u>5,374,212</u> | <u>4,975,989</u> |
| Total liabilities and net assets | <u>\$ 5,427,292</u> | <u>\$ 4,997,303</u> |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Operating Support and Revenue | | | |
| Operating Support | | | |
| Grants and contributions | \$ 1,196,492 | \$ 1,300 | \$ 1,197,792 |
| Special events, net | 210,560 | - | 210,560 |
| In-kind contributions | 53,599 | - | 53,599 |
| Net assets released from restrictions | | | |
| Satisfaction of program restrictions | 18,833 | (18,833) | - |
| Total operating support | <u>1,479,484</u> | <u>(17,533)</u> | <u>1,461,951</u> |
| Operating Revenue | | | |
| Adoption fees | 41,519 | - | 41,519 |
| Corporate events | 23,700 | - | 23,700 |
| Surrender fees | 6,825 | - | 6,825 |
| Education clinics | 4,541 | - | 4,541 |
| Merchandise sales, net | 8 | - | 8 |
| Other program revenue | 2,175 | - | 2,175 |
| Total operating revenue | <u>78,768</u> | <u>-</u> | <u>78,768</u> |
| Total operating support and revenue | <u>1,558,252</u> | <u>(17,533)</u> | <u>1,540,719</u> |
| Operating Expenses | | | |
| Program services | 930,644 | - | 930,644 |
| Supporting services | | | |
| General and administrative | 119,927 | - | 119,927 |
| Fundraising | 202,218 | - | 202,218 |
| Total operating expenses | <u>1,252,789</u> | <u>-</u> | <u>1,252,789</u> |
| Total operating support and revenue in excess (deficit) of operating expenses | <u>305,463</u> | <u>(17,533)</u> | <u>287,930</u> |
| Other Changes | | | |
| Net investment income | 109,950 | - | 109,950 |
| Gain on sale of equipment | 343 | - | 343 |
| Total other changes | <u>110,293</u> | <u>-</u> | <u>110,293</u> |
| Change in Net Assets | <u>415,756</u> | <u>(17,533)</u> | <u>398,223</u> |
| Net Assets, Beginning of Year | <u>4,945,156</u> | <u>30,833</u> | <u>4,975,989</u> |
| Net Assets, End of Year | <u>\$ 5,360,912</u> | <u>\$ 13,300</u> | <u>\$ 5,374,212</u> |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Operating Support and Revenue | | | |
| Operating Support | | | |
| Grants and contributions | \$ 1,904,390 | \$ 30,000 | \$ 1,934,390 |
| In-kind contributions | 30,761 | - | 30,761 |
| Special events, net | 6,831 | - | 6,831 |
| Net assets released from restrictions | | | |
| Satisfaction of program restrictions | 41,072 | (41,072) | - |
| Total operating support | <u>1,983,054</u> | <u>(11,072)</u> | <u>1,971,982</u> |
| Operating Revenue | | | |
| Adoption fees | 39,418 | - | 39,418 |
| Corporate events | 4,500 | - | 4,500 |
| Surrender fees | 3,790 | - | 3,790 |
| Education clinics | 2,455 | - | 2,455 |
| Merchandise sales, net | 2,450 | - | 2,450 |
| Other program revenue | 1,475 | - | 1,475 |
| Total operating revenue | <u>54,088</u> | <u>-</u> | <u>54,088</u> |
| Total operating support and revenue | <u>2,037,142</u> | <u>(11,072)</u> | <u>2,026,070</u> |
| Operating Expenses | | | |
| Program services | 812,608 | - | 812,608 |
| Supporting services | | | |
| General and administrative | 163,131 | - | 163,131 |
| Fundraising | 165,179 | - | 165,179 |
| Total operating expenses | <u>1,140,918</u> | <u>-</u> | <u>1,140,918</u> |
| Total operating support and revenue in excess (deficit) of operating expenses | <u>896,224</u> | <u>(11,072)</u> | <u>885,152</u> |
| Other Changes | | | |
| Net investment income | 189,630 | - | 189,630 |
| Paycheck Protection Program grant | 84,300 | - | 84,300 |
| Total other changes | <u>273,930</u> | <u>-</u> | <u>273,930</u> |
| Change in Net Assets | <u>1,170,154</u> | <u>(11,072)</u> | <u>1,159,082</u> |
| Net Assets, Beginning of Year | <u>3,775,002</u> | <u>41,905</u> | <u>3,816,907</u> |
| Net Assets, End of Year | <u>\$ 4,945,156</u> | <u>\$ 30,833</u> | <u>\$ 4,975,989</u> |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Functional Expenses

Year ended December 31, 2021

| | Program Services | Supporting Services | | Total |
|--------------------------------|---------------------|-------------------------------|-------------|--------------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 392,080 | \$ 22,089 | \$ 138,056 | \$ 552,225 |
| Employee benefits | 49,705 | 2,800 | 17,502 | 70,007 |
| Payroll taxes | 30,566 | 1,722 | 10,763 | 43,051 |
| Total personnel costs | 472,351 | 26,611 | 166,321 | 665,283 |
| Equine management and training | 293,413 | - | - | 293,413 |
| Depreciation | 57,211 | 3,178 | 3,178 | 63,567 |
| Information technology | 15,477 | 15,477 | 7,739 | 38,693 |
| Contract services | 34,548 | - | 3,417 | 37,965 |
| Professional fees | - | 29,827 | - | 29,827 |
| Insurance | 12,724 | 11,452 | 1,272 | 25,448 |
| Occupancy | 13,484 | 749 | 749 | 14,982 |
| Repairs and maintenance | 12,283 | 682 | 682 | 13,647 |
| Office expenses | 2,725 | 9,539 | 1,363 | 13,627 |
| Other farm management | 10,463 | - | - | 10,463 |
| Bank and credit card fees | 929 | 1,859 | 6,506 | 9,294 |
| Telephone and internet | 853 | 6,821 | 853 | 8,527 |
| Meetings and staff expenses | - | 8,103 | - | 8,103 |
| Marketing | 1,219 | 2,743 | 2,133 | 6,095 |
| Development expenses | - | - | 6,034 | 6,034 |
| Licenses and fees | 2,235 | 2,011 | 223 | 4,469 |
| Printing and postage | 145 | 291 | 1,018 | 1,454 |
| Dues and subscriptions | 584 | 584 | - | 1,168 |
| Miscellaneous expenses | - | - | 730 | 730 |
| Total operating expenses | \$ 930,644 | \$ 119,927 | \$ 202,218 | \$ 1,252,789 |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Functional Expenses

Year ended December 31, 2020

| | Program Services | Supporting Services | | Total |
|--------------------------------|---------------------|-------------------------------|-------------|--------------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 295,749 | \$ 47,842 | \$ 91,334 | \$ 434,925 |
| Employee benefits | 56,863 | 9,198 | 17,561 | 83,622 |
| Payroll taxes | 27,031 | 4,373 | 8,348 | 39,752 |
| Total personnel costs | 379,643 | 61,413 | 117,243 | 558,299 |
| Equine management and training | 282,529 | - | - | 282,529 |
| Contract services | 40,659 | - | 13,553 | 54,212 |
| Depreciation | 48,418 | 2,689 | 2,690 | 53,797 |
| Marketing | 6,144 | 13,825 | 10,752 | 30,721 |
| Professional fees | - | 27,169 | - | 27,169 |
| Insurance | 12,124 | 10,912 | 1,212 | 24,248 |
| Information technology | 7,050 | 7,050 | 3,525 | 17,625 |
| Occupancy | 11,399 | 1,425 | 1,425 | 14,249 |
| Office expenses | 2,434 | 8,519 | 1,217 | 12,170 |
| Repairs and maintenance | 8,228 | 1,029 | 1,029 | 10,286 |
| Bad debt expense | - | 8,688 | - | 8,688 |
| Licenses and fees | 4,255 | 3,830 | 426 | 8,511 |
| Telephone and internet | 759 | 6,074 | 759 | 7,592 |
| Other farm management | 7,361 | - | - | 7,361 |
| Bank and credit card fees | 687 | 1,374 | 4,810 | 6,871 |
| Development expenses | - | - | 5,441 | 5,441 |
| Meetings and staff expenses | - | 5,090 | - | 5,090 |
| Miscellaneous expenses | - | 2,970 | - | 2,970 |
| Printing and postage | 157 | 313 | 1,097 | 1,567 |
| Dues and subscriptions | 761 | 761 | - | 1,522 |
| Total operating expenses | \$ 812,608 | \$ 163,131 | \$ 165,179 | \$ 1,140,918 |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

| Years ended December 31 | 2021 | 2020 |
|---|----------------------------|----------------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 398,223 | \$ 1,159,082 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 63,567 | 53,797 |
| Gain on sale of equipment | (343) | - |
| Provision for bad debts | - | 8,688 |
| Net realized gain on investments | (56,986) | - |
| Net unrealized gain on investments | (15,835) | (156,098) |
| Increase (decrease) from changes in assets and liabilities | | |
| Other receivable | - | - |
| Inventories | (4,687) | 40,400 |
| Prepaid expenses | 1,999 | (13,028) |
| Accounts payable | 20,148 | 1,497 |
| Net cash provided by operating activities | <u>417,704</u> | <u>1,094,338</u> |
| Cash Flows From Investing Activities | | |
| Purchases of investments | (2,434,313) | (967,173) |
| Proceeds from sale of investments | 3,261,399 | 549,645 |
| Purchases of property and equipment | (155,911) | (22,437) |
| Proceeds from sale of property and equipment | 343 | - |
| Net cash provided (used) by investing activities | <u>671,518</u> | <u>(439,965)</u> |
| Net Increase in Cash and Cash Equivalents | 1,089,222 | 654,373 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,965,732</u> | <u>1,311,359</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 3,054,954</u> | <u>\$ 1,965,732</u> |

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

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.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020.

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.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

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 net realizable value.

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 and improvements, five to ten years for equipment, and five years for vehicles. Depreciation expense totaled \$63,567 and \$53,797 for the years ended December 31, 2021 and 2020, respectively.

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 years ended December 31, 2021 and 2020.

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. The Organization's revenues from contracts with customers is comprised of adoption fees, corporate events, merchandise sales, surrender fees, and education clinics.

Adoption fees consist of fees received in exchange for adopting a horse. Revenue is recognized at the point in time in which the horse is picked up or delivered, which satisfies the Organization's performance obligation.

Corporate event revenue under the LeadChange program is recognized as the Organization provides services to attendees. Any amounts received prior to the event are recorded as contract liabilities.

Surrender fees consist of fees collected when a horse is surrendered to the Organization. Revenue is recognized at the point in time in which the horse is picked up or delivered, which satisfies the Organization's performance obligation.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

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

Education clinic revenue is recognized as the Organization provides services to attendees. Any amounts received prior to the course are recorded as contract liabilities.

Merchandise sales consist of sales made in the retail and thrift store. Revenue is recognized at the point in time in which the merchandise is purchased by the customer, which satisfies the Organization's performance obligation.

Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

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.

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 July 25, 2022, the date at which the financial statements were available for release.

Note 2 – Liquidity and Availability

The Organization had \$4,422,649 and \$4,087,692 in financial assets available within one year of December 31, 2021 and 2020, respectively. 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 years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the guiding principles.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

Note 3 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds | | | | |
| Equity funds | \$ 1,012,917 | \$ - | \$ - | \$ 1,012,917 |
| Bond funds | 274,599 | - | - | 274,599 |
| Exchange traded funds | 80,179 | - | - | 80,179 |
| | <u>\$ 1,367,695</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,367,695</u> |

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds | | | | |
| Equity funds | \$ 979,431 | \$ - | \$ - | \$ 979,431 |
| Bond funds | 426,681 | - | - | 426,681 |
| Exchange traded funds | 187,414 | - | - | 187,414 |
| Debt and equity securities | | | | |
| U.S. equities | 516,089 | - | - | 516,089 |
| Other | 12,345 | - | - | 12,345 |
| | <u>\$ 2,121,960</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,121,960</u> |

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 years ended December 31, 2021 and 2020, there were no significant transfers in or out of fair value levels.

Net investment income consisted of the following for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------|-------------------|
| Interest and dividends | \$ 42,184 | \$ 46,321 |
| Net realized gain on investments | 56,986 | - |
| Net unrealized gain on investments | 15,835 | 156,098 |
| | <u>115,005</u> | <u>202,419</u> |
| Investment fees | (5,055) | (12,789) |
| | <u>\$ 109,950</u> | <u>\$ 189,630</u> |

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2021 and 2020

Note 4 – Inventories

Inventories consist of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--------------------|------------------|------------------|
| Hay | \$ 44,637 | \$ 41,521 |
| Retail merchandise | 2,614 | 1,043 |
| | <u>\$ 47,251</u> | <u>\$ 42,564</u> |

Note 5 – Net Assets With Donor Restrictions

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

| | Auction Horse Rescues | Equine Management and Other | Total |
|----------------------------|--------------------------|-----------------------------------|------------------|
| Balance, January 1, 2020 | \$ 31,905 | \$ 10,000 | \$ 41,905 |
| Additions | - | 30,000 | 30,000 |
| Releases | (16,072) | (25,000) | (41,072) |
| Balance, December 31, 2020 | \$ 15,833 | \$ 15,000 | \$ 30,833 |
| Additions | - | 1,300 | 1,300 |
| Releases | (15,833) | (3,000) | (18,833) |
| Balance, December 31, 2021 | <u>\$ -</u> | <u>\$ 13,300</u> | <u>\$ 13,300</u> |

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 \$3,451 and \$3,178 for the years ended December 31, 2021 and 2020, respectively.

Future annual minimum lease payments required under the noncancelable operating lease is as follows at December 31, 2021:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2022 | \$ 2,640 |
| 2023 | 2,640 |
| 2024 | 660 |
| | <u>\$ 5,940</u> |

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Note 7 – Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|------------------|
| Recognized at a point in time | | |
| Adoption fees | \$ 41,519 | \$ 39,418 |
| Surrender fees | 6,825 | 3,790 |
| Merchandise sales | 1,924 | 4,821 |
| Other program revenue | 2,175 | 1,475 |
| Recognized over time | | |
| Corporate events | 23,700 | 4,500 |
| Education clinics | 4,541 | 2,455 |
| | <u>\$ 80,684</u> | <u>\$ 56,459</u> |

Note 8 – In-kind Contributions

Contributed materials and services are as follows for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------|------------------|------------------|
| Materials | | |
| Supplies and tack | \$ 19,032 | \$ 3,593 |
| Hay | 900 | 283 |
| | <u>19,932</u> | <u>3,876</u> |
| Equine services | 33,667 | 26,885 |
| | <u>\$ 53,599</u> | <u>\$ 30,761</u> |

Note 9 – Special Event

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

| | <u>2021</u> | <u>2020</u> |
|---------------------|-------------------|-----------------|
| Event contributions | \$ 265,974 | \$ 8,018 |
| Direct costs | (55,414) | (1,187) |
| Net revenue | <u>\$ 210,560</u> | <u>\$ 6,831</u> |

Note 10 – 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 \$13,500 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 \$13,605 and \$11,247 to the plan for the years ended December 31, 2021 and 2020, respectively.

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Note 11 – Paycheck Protection Program

During April 2020, the Organization received proceeds of \$84,300 from the Paycheck Protection Program administered by the U.S. Small Business Administration. Proceeds from the program are considered a government grant if at least 60% of the proceeds are spent on eligible payroll, with the remaining 40% on other narrowly specified expenses. As of December 31, 2020, the Organization fulfilled the requirements of the program. Accordingly, the Organization recognized grant revenue totaling \$84,300 in the accompanying statement of activities for the year ended December 31, 2020.

Note 12 – Concentrations of Credit Risk

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

Major Donors. The Organization had a donor that comprised 20% of total support and revenue for the year ended December 31, 2021. The Organization had two donors that comprised 47% of total support and revenue for the year ended December 31, 2020.

Note 13 – Risk and Uncertainty

In March 2020, the World Health Organization recognized the outbreak of Coronavirus Disease 2019 (COVID-19) as a global pandemic. The health care crisis has resulted in significant social and economic instability, which has subjected the Organization to risks and uncertainties, including potential work stoppages, service disruptions, restrictions on travel and the availability of its labor workforce. The pandemic has continued into 2022 and a reliable estimate of the potential future financial impacts of this uncertainty cannot be made at this time.

Note 14 – New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standard Update (ASU) No. 2016-02, *Leases (Topic 842)*, for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning after December 15, 2021, and must be applied using a modified retrospective approach. The Organization is currently evaluating the impact of adopting this standard on its financial statements.