

Colorado Horse Rescue

(a nonprofit Colorado corporation)

Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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
June 22, 2023

Colorado Horse Rescue

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,148,888	\$ 3,054,954
Investments	1,202,191	1,367,695
Inventories	67,772	47,251
Prepaid expenses	11,021	13,187
Total current assets	<u>4,429,872</u>	<u>4,483,087</u>
Property and Equipment		
Land and buildings	1,348,292	1,284,493
Equipment	161,140	151,568
Vehicles	136,655	136,655
	<u>1,646,087</u>	<u>1,572,716</u>
Less accumulated depreciation	(699,620)	(628,511)
Net property and equipment	<u>946,467</u>	<u>944,205</u>
Other Assets		
Right-of-use operating lease asset	<u>3,206</u>	<u>-</u>
Total assets	<u>\$ 5,379,545</u>	<u>\$ 5,427,292</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 44,680	\$ 33,525
Accrued compensation and benefits	22,298	19,555
Current maturities of operating lease obligation	2,549	-
Total current liabilities	<u>69,527</u>	<u>53,080</u>
Long-Term Liabilities		
Operating lease obligation, net of current maturities	<u>657</u>	<u>-</u>
Total liabilities	<u>70,184</u>	<u>53,080</u>
Net Assets		
Without donor restrictions	5,255,566	5,360,912
With donor restrictions	53,795	13,300
Total net assets	<u>5,309,361</u>	<u>5,374,212</u>
Total liabilities and net assets	<u>\$ 5,379,545</u>	<u>\$ 5,427,292</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,227,162	\$ 69,752	\$ 1,296,914
Special events, net	143,237	-	143,237
In-kind contributions	57,533	-	57,533
Net assets released from restrictions			
Satisfaction of program restrictions	29,257	(29,257)	-
Total operating support	<u>1,457,189</u>	<u>40,495</u>	<u>1,497,684</u>
Operating Revenue			
Adoption fees	42,511	-	42,511
Corporate events	9,500	-	9,500
Education clinics	9,035	-	9,035
Surrender fees	2,850	-	2,850
Merchandise sales, net	1,485	-	1,485
Other program revenue	850	-	850
Total operating revenue	<u>66,231</u>	<u>-</u>	<u>66,231</u>
Total operating support and revenue	<u>1,523,420</u>	<u>40,495</u>	<u>1,563,915</u>
Operating Expenses			
Program services	1,136,755	-	1,136,755
Supporting services			
General and administrative	88,477	-	88,477
Fundraising	236,774	-	236,774
Total operating expenses	<u>1,462,006</u>	<u>-</u>	<u>1,462,006</u>
Total operating support and revenue in excess of operating expenses	61,414	40,495	101,909
Other Changes			
Net investment loss	<u>(166,760)</u>	<u>-</u>	<u>(166,760)</u>
Change in Net Assets	(105,346)	40,495	(64,851)
Net Assets, Beginning of Year	<u>5,360,912</u>	<u>13,300</u>	<u>5,374,212</u>
Net Assets, End of Year	<u>\$ 5,255,566</u>	<u>\$ 53,795</u>	<u>\$ 5,309,361</u>

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part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
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>

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part of these financial statements

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Colorado Horse Rescue

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 520,254	\$ 20,810	\$ 152,608	\$ 693,672
Employee benefits	91,587	3,663	26,865	122,115
Payroll taxes	42,437	1,697	12,448	56,582
Total personnel costs	654,278	26,170	191,921	872,369
Equine management and training	271,112	-	-	271,112
Depreciation	63,997	3,556	3,555	71,108
Contract services	37,148	-	3,674	40,822
Insurance	19,403	17,462	1,940	38,805
Professional fees	-	26,012	-	26,012
Information technology	16,359	1,953	6,104	24,416
Repairs and maintenance	21,247	1,180	1,180	23,607
Occupancy	11,206	1,338	4,181	16,725
Office expenses	10,301	1,230	3,844	15,375
Other farm management	14,518	-	-	14,518
Bank and credit card fees	1,012	2,025	7,087	10,124
Telephone and internet	5,639	673	2,104	8,416
Meetings and staff expenses	5,106	610	1,905	7,621
Marketing	1,500	3,375	2,625	7,500
Development expenses	-	-	4,323	4,323
Licenses and fees	1,961	1,765	196	3,922
Printing and postage	239	479	1,676	2,394
Miscellaneous expenses	1,231	151	459	1,841
Dues and subscriptions	498	498	-	996
Total operating expenses	\$ 1,136,755	\$ 88,477	\$ 236,774	\$ 1,462,006

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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

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part of these financial statements

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Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (64,851)	\$ 398,223
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	71,108	63,567
Amortization of right-of-use operating lease asset	2,424	-
Gain on sale of equipment	-	(343)
Net realized loss (gain) on investments	116,909	(56,986)
Net unrealized loss (gain) on investments	65,446	(15,835)
Increase (decrease) from changes in assets and liabilities		
Inventories	(20,521)	(4,687)
Prepaid expenses	2,166	1,999
Accounts payable	11,155	20,148
Accrued compensation and benefits	2,743	11,618
Operating lease obligation	(2,424)	-
Net cash provided by operating activities	<u>184,155</u>	<u>417,704</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,024,464)	(2,434,313)
Proceeds from sale of investments	1,007,613	3,261,399
Purchases of property and equipment	(73,370)	(155,911)
Proceeds from sale of property and equipment	-	343
Net cash (used) provided by investing activities	<u>(90,221)</u>	<u>671,518</u>
Net Increase in Cash and Cash Equivalents	93,934	1,089,222
Cash and Cash Equivalents, Beginning of Year	<u>3,054,954</u>	<u>1,965,732</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,148,888</u>	<u>\$ 3,054,954</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, 2022 and 2021

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.

Change in Accounting Principle. On January 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance on the accounting for leases that superseded previous guidance. Topic 842 requires lessees to recognize leases on the statement of financial position for all leases, including operating leases which were not previously recorded as assets and liabilities, and to disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are now classified as financing, formerly capital, or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASU 2016-02 under the modified retrospective approach, applying the amendments only to prospective reporting periods. In performing its analysis, the Organization reflected the aggregate effect of all modifications when identifying the lease obligations and ROU assets. The change in accounting method would not have had a material effect on the change in net assets for the year ended December 31, 2021, or on net assets as of December 31, 2021.

Cash and Cash Equivalents. Cash and cash equivalents consists of money market funds, checking and savings accounts held at financial institutions.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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

Cash and Cash Equivalents (continued). 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.

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.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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

Fair Value Measurements (continued). 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, 2022 and 2021.

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.

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 \$71,108 and \$63,567 for the years ended December 31, 2022 and 2021, respectively.

Leases and Right-of-Use Assets. Commencing January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable, or otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date of the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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

Leases and Right-of-Use Assets (continued). Right-of-use assets under operating leases are recorded in other assets in the accompanying statement of financial position. The Organization has elected to exclude leases of 12 months or less from right-of-use asset recognition. Amortization of right-of-use assets for operating leases is included in rent expense.

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, 2022 and 2021.

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. Adoption fees recognized at a point in time for the years ended December 31, 2022 and 2021 was \$42,511 and \$41,519, respectively.

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. Corporate event revenue recognized over time for the years ended December 31, 2022 and 2021 was \$9,500 and \$23,700, respectively

Education clinic revenue is recognized as the Organization provides services to attendees. Any amounts received prior to the course are recorded as contract liabilities. Education clinic revenue recognized over time for the years ended December 31, 2022 and 2021 was \$9,035 and \$4,541, respectively

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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

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. Surrender fees recognized at a point in time for the years ended December 31, 2022 and 2021 was \$2,850 and \$6,825, respectively.

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. Merchandise sales recognized at a point in time for the years ended December 31, 2022 and 2021 was \$4,225 and \$1,924, respectively.

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 June 22, 2023, the date at which the financial statements were available for release.

Note 2 – Adoption of Accounting Pronouncement

The Organization adopted Topic 842 on January 1, 2022 using the modified retrospective approach and recorded increases to opening right-of-use assets and operating lease liabilities of \$5,630. The adoption changed the recognition of lease obligations and right-of-use assets. The adoption did not change net assets. The Organization elected certain practical expedients allowed under ASC 842 and, accordingly, did not reassess whether any expired or existing contracts are or include leases, or the lease classification of any expired or existing leases, and initial direct costs for any existing leases.

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

Note 2 – Adoption of Accounting Pronouncement (continued)

The cumulative effects of the changes made to the statement of financial position as of January 1, 2022 for the adoption of Topic 842 were as follows:

	Balance at December 31, 2021	Adjustments Due to ASC 842	Balance at January 1, 2022
Assets			
Right-of-use operating lease asset	\$ -	\$ 5,630	\$ 5,630
Liabilities			
Operating lease obligation	\$ -	\$ 5,630	\$ 5,630
Net Assets	\$ 5,374,212	\$ -	\$ 5,374,212

Note 3 – Liquidity and Availability

The Organization had \$4,351,079 and \$4,422,649 in financial assets available within one year of December 31, 2022 and 2021, 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, 2022 and 2021, the level of liquidity and reserves was managed within the guiding principles.

Note 4 – 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:

	2022	2021
Debt and equity securities (level 1)		
U.S. equities	\$ 520,292	\$ -
Mutual funds (level 1)		
Exchange traded funds	420,808	80,179
Bond funds	261,091	274,599
Equity funds	-	1,012,917
	<u>\$ 1,202,191</u>	<u>\$ 1,367,695</u>

Colorado Horse Rescue

Notes to Financial Statements

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Note 4 – Fair Value Measurements (continued)

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, 2022 and 2021, there were no significant transfers in or out of fair value levels.

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

	2022	2021
Interest and dividends	\$ 23,689	\$ 42,184
Net realized (loss) gain on investments	(116,909)	56,986
Net unrealized (loss) gain on investments	(65,446)	15,835
	<u>(158,666)</u>	<u>115,005</u>
Investment fees	(8,094)	(5,055)
	<u>\$ (166,760)</u>	<u>\$ 109,950</u>

Note 5 – Inventories

Inventories consist of the following at December 31:

	2022	2021
Hay	\$ 66,678	\$ 44,637
Retail merchandise	1,094	2,614
	<u>\$ 67,772</u>	<u>\$ 47,251</u>

Note 6 – Operating Lease and Subsequent Event

The Organization leases equipment under a noncancelable operating lease. The lease requires the Organization to pay for maintenance and usage and expires in March 2024. The maintenance and usage costs were determined to be variable lease payments and are not included in lease payments used to determine lease obligations and are recognized as variable costs when incurred. The operating lease obligation and related right-of-use asset as of December 31, 2022 each totaled \$3,206.

Operating lease costs consist of the following for the year ended December 31, 2022:

	Amount
Amortization of right-of-use asset	\$ 2,424
Interest on lease liability	216
Variable rent expense	811
	<u>\$ 3,451</u>

Colorado Horse Rescue

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 – Operating Lease and Subsequent Event (continued)

Rent expense on leased equipment for the year ended December 31, 2021, prior to the implementation of ASC 842, totaled \$3,451.

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$2,640 for the year ended December 31, 2022.

The weighted average remaining lease term for operating leases was 1.25 years at December 31, 2022. The weighted average discount rate for operating leases was 5.00% at December 31, 2022. The discount rate for the operating lease is estimated based on the Organization's incremental borrowing rate at the commencement of the lease.

Scheduled maturities of operating lease liabilities are as follows at December 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 2,640
2024	660
	<u>\$ 3,300</u>

In March 2023, the Organization leased equipment under a noncancellable operating lease. The lease requires monthly payments of \$223 and expires in June 2028.

Note 7 – 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, 2021	\$ 15,833	\$ 15,000	\$ 30,833
Additions	-	1,300	1,300
Releases	(15,833)	(3,000)	(18,833)
Balance, December 31, 2021	\$ -	\$ 13,300	\$ 13,300
Additions	-	69,752	69,752
Releases	-	(29,257)	(29,257)
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 53,795</u>	<u>\$ 53,795</u>

Note 8 – Special Event

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

	<u>2022</u>	<u>2021</u>
Event contributions	\$ 214,381	\$ 265,974
Direct costs	(71,144)	(55,414)
Net revenue	<u>\$ 143,237</u>	<u>\$ 210,560</u>

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Notes to Financial Statements

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Note 9 – In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Materials		
Supplies and tack	\$ 16,665	\$ 19,032
Hay	1,370	900
	<u>18,035</u>	<u>19,932</u>
Equine services	39,498	33,667
	<u>\$ 57,533</u>	<u>\$ 53,599</u>

Contributed materials received by the Organization is valued at the current price for similar items located on a publicly available website. The Organization receives contributed equine services that are reported using current rates as provided by the service provider.

All donated materials and services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the in-kind contributions.

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 \$14,000 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 \$14,912 and \$13,605 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 11 – Concentrations of Credit Risk

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

Major Donor. The Organization had a single donor comprise 10% and 20% of total support and revenue for the years ended December 31, 2022 and 2021, respectively.

Note 12 – Subsequent Event

The Board of Directors approved to change the Organization's fiscal year end to June 30. The change in fiscal year end will take effect June 30, 2023.