

Colorado Horse Rescue

(a nonprofit Colorado corporation)

Financial Statements

June 30, 2024

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 statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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

Boulder, Colorado
February 6, 2025

Colorado Horse Rescue

Statement of Financial Position

June 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 416,733
Investments	3,812,366
Inventories	52,877
Prepaid expenses	41,687
Total current assets	<u>4,323,663</u>

Property and Equipment

Land and buildings	1,386,761
Equipment	175,424
Vehicles	162,749
	<u>1,724,934</u>
Less accumulated depreciation	(804,246)
Net property and equipment	<u>920,688</u>

Other Assets

Software, net of accumulated amortization	263,789
Right-of-use operating lease asset	9,550
Total other assets	<u>273,339</u>

Total assets \$ 5,517,690

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 17,932
Accrued compensation and benefits	48,818
Current maturities of operating lease obligation	2,264
Total current liabilities	<u>69,014</u>

Long-Term Liabilities

Operating lease obligation, net of current maturities	7,286
Total liabilities	<u>76,300</u>

Net Assets

Without donor restrictions	5,422,971
With donor restrictions	18,419
Total net assets	<u>5,441,390</u>

Total liabilities and net assets \$ 5,517,690

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Activities

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,243,278	\$ -	\$ 1,243,278
Special events, net	306,929	-	306,929
In-kind contributions	86,790	-	86,790
Net assets released from restrictions			
Satisfaction of program restrictions	11,436	(11,436)	-
Total operating support	<u>1,648,433</u>	<u>(11,436)</u>	<u>1,636,997</u>
Operating Revenue			
Adoption fees	77,518	-	77,518
Surrender fees	9,704	-	9,704
Education clinics	1,357	-	1,357
Merchandise sales, net	1,157	-	1,157
Other program revenue	2,290	-	2,290
Total operating revenue	<u>92,026</u>	<u>-</u>	<u>92,026</u>
 Total operating support and revenue	<u>1,740,459</u>	<u>(11,436)</u>	<u>1,729,023</u>
Operating Expenses			
Program services	1,433,954	-	1,433,954
Supporting services			
General and administrative	124,319	-	124,319
Fundraising	325,852	-	325,852
Total operating expenses	<u>1,884,125</u>	<u>-</u>	<u>1,884,125</u>
 Total operating expenses in excess of operating support and revenue	(143,666)	(11,436)	(155,102)
Other Changes			
Net investment income	394,946	-	394,946
Change in Net Assets	251,280	(11,436)	239,844
Net Assets, Beginning of Year	<u>5,171,691</u>	<u>29,855</u>	<u>5,201,546</u>
Net Assets, End of Year	<u>\$ 5,422,971</u>	<u>\$ 18,419</u>	<u>\$ 5,441,390</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 June 30, 2024

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 621,143	\$ 24,021	\$ 126,213	\$ 771,377
Employee benefits	133,208	5,151	27,067	165,426
Payroll taxes	57,300	2,216	11,643	71,159
Total personnel costs	811,651	31,388	164,923	1,007,962
Equine management and training	421,055	-	-	421,055
Contract services	6,987	-	110,357	117,344
Depreciation and amortization	75,158	4,175	4,175	83,508
Professional fees	-	48,041	-	48,041
Insurance	23,005	20,704	2,300	46,009
Information technology	20,277	2,421	7,566	30,264
Office expenses	8,401	1,003	3,135	12,539
Occupancy	13,527	1,615	5,048	20,190
Repairs and maintenance	16,377	910	910	18,197
Other farm management	16,282	-	-	16,282
Development expenses	-	-	12,788	12,788
Marketing	2,316	5,212	4,054	11,582
Licenses and fees	4,902	4,412	490	9,804
Meetings and staff expenses	5,513	658	2,057	8,228
Telephone and internet	5,074	606	1,893	7,573
Bank and credit card fees	642	1,283	4,492	6,417
Dues and subscriptions	1,400	1,400	-	2,800
Miscellaneous expenses	1,214	145	452	1,811
Printing and postage	173	346	1,212	1,731
Total operating expenses	\$ 1,433,954	\$ 124,319	\$ 325,852	\$ 1,884,125

The accompanying Notes are an integral
part of these financial statements

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Colorado Horse Rescue

Statement of Cash Flows

Decrease in Cash and Cash Equivalents

Year ended June 30, 2024

Cash Flows From Operating Activities

Change in net assets	\$	239,844
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		83,508
Amortization of right-of-use operating lease asset		2,154
Net realized gain on investments		(73,514)
Net unrealized gain on investments		(235,183)
Increase (decrease) from changes in assets and liabilities		
Inventories		(23,655)
Prepaid expenses		(13,786)
Accounts payable		(997)
Accrued compensation and benefits		28,034
Operating lease obligation		(2,154)
Net cash provided by operating activities		<u>4,251</u>

Cash Flows From Investing Activities

Purchases of investments		(4,597,714)
Proceeds from sale of investments		4,752,988
Purchases of property, equipment and software		(329,405)
Net cash used by investing activities		<u>(174,131)</u>

Net Decrease in Cash and Cash Equivalents (169,880)

Cash and Cash Equivalents, Beginning of Year 586,613

Cash and Cash Equivalents, End of Year \$ 416,733

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

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

June 30, 2024

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 June 30, 2024.

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

June 30, 2024

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 \$69,624 for the year ended June 30, 2024.

Software. It is the Organization's policy to capitalize software at cost. Amortization is computed using straight-line methods over the estimated useful lives of the assets, which is five years. Amortization expense totaled \$13,884 for the year ended June 30, 2024.

Leases and Right-of-Use Assets. 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. The Organization made a policy election not to separate lease and nonlease components for all leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability. 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 for all leases. 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 Organization has also elected to exclude leases with terms of 12 months or less from right-of-use asset and operating lease obligation recognition.

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 June 30, 2024.

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.

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

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

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, 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 year ended June 30, 2024 was \$77,518.

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 year ended June 30, 2024 was \$9,704.

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 year ended June 30, 2024 was \$1,357.

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 year ended June 30, 2024 was \$4,888.

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.

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

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

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 February 6, 2025, the date at which the financial statements were available for release.

Note 2 – Liquidity and Availability

The Organization had \$4,229,099 in financial assets available within one year of June 30, 2024. 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 June 30, 2024, the level of liquidity and reserves was managed within the guiding principles.

Note 3 – Investments and 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 June 30, 2024:

Debt and equity securities (level 1)	
U.S. equities	\$ 1,265,616
U.S. government	1,639,020
Mutual funds (level 1)	
Bond funds	858,030
Exchange traded funds	49,700
	<u>\$ 3,812,366</u>

Net investment income consisted of the following for the year ended June 30, 2024:

Interest and dividends	\$ 104,513
Net realized gain on investments	73,514
Net unrealized gain on investments	235,183
	<u>413,210</u>
Investment fees	(18,264)
	<u>\$ 394,946</u>

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

Note 4 – Inventories

Inventories consist of the following at June 30, 2024:

Hay	\$	49,230
Retail merchandise		3,647
	\$	<u>52,877</u>

Note 5 – Operating Lease

The Organization leases equipment under a noncancelable operating lease. The lease requires the Organization to pay for maintenance and usage and expires in June 2028. 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 June 30, 2024 each totaled \$9,550. The remaining lease term on the operating lease was 3.92 years at June 30, 2024. The discount rate applied to the operating lease is 5.00%.

Operating lease costs consist of the following for the year ended June 30, 2024:

		<u>Amount</u>
Amortization of right-of-use asset	\$	2,154
Interest on lease liability		525
Variable rent expense		608
	\$	<u>3,287</u>

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$2,679 for the year ended June 30, 2024.

Scheduled maturities of operating lease liabilities are as follows at June 30, 2024:

Year Ended		<u>Amount</u>
June 30:		
2025	\$	2,679
2026		2,679
2027		2,678
2028		2,455
		<u>10,491</u>
Less amount representing interest		(941)
	\$	<u>9,550</u>

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

Note 6 – Net Assets With Donor Restrictions

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

	Equine Management and Other
Balance, July 1, 2023	\$ 29,855
Releases	(11,436)
Balance, June 30, 2024	<u>\$ 18,419</u>

Note 7 – Special Event

The Organization derived net revenue from the Mane Event special fundraising event during the year ended June 30, 2024:

Event contributions	\$ 379,821
Direct costs	(72,892)
Net revenue	<u>\$ 306,929</u>

Note 8 – In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2024:

Materials	
Supplies and tack	\$ 31,680
Hay	8,233
	<u>39,913</u>
Services	
Equine services	35,097
Other professional services	11,780
	<u>46,877</u>
Total in-kind contributions	<u>\$ 86,790</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 and other professional 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.

Colorado Horse Rescue

Notes to Financial Statements

June 30, 2024

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 \$16,000 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 \$19,079 to the plan for the year ended June 30, 2024.

Note 10 – Concentrations of Credit Risk

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