

SOUTHERN REINS CENTER FOR EQUINE THERAPY

FINANCIAL STATEMENTS

DECEMBER 31, 2021

SOUTHERN REINS CENTER FOR EQUINE THERAPY

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Independent Auditor's Report

Board of Directors
Southern Reins Center for Equine Therapy
Memphis, Tennessee

Opinion

We have audited the accompanying financial statements of Southern Reins Center for Equine Therapy (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, 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 Southern Reins Center for Equine Therapy as of December 31, 2021, 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 ("GAAS"). 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 Southern Reins Center for Equine Therapy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Reins Center for Equine Therapy's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Southern Reins Center for Equine Therapy'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 Southern Reins Center for Equine Therapy'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.

Frazier Ivy Davis PLLC

Memphis, Tennessee
February 22, 2022

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Financial Position

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 585,413
Investments	531,016
Accounts receivable	2,286
Unconditional promises to give	34,750
Prepaid expenses	13,879
Property and equipment, net	<u>1,441,463</u>
Total assets	<u>\$ 2,608,807</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 21,144
Deferred revenue	<u>1,212</u>
Total liabilities	<u>22,356</u>
Net assets	
Without donor restrictions	2,490,550
With donor restrictions	<u>95,901</u>
Total net assets	<u>2,586,451</u>
Total liabilities and net assets	<u>\$ 2,608,807</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Special events			
Jockeys and Juleps	\$ 212,022	\$ -	\$ 212,022
Other events	399	-	399
Capital campaign	35,270	-	35,270
Contributions	182,442	22,697	205,139
In-kind contributions	112,620	-	112,620
Program service revenue			
Lesson income, net	83,325	-	83,325
Other	7,263	-	7,263
Net investment income	(1,808)	4,472	2,664
Government grant	45,622	-	45,622
	<u>677,155</u>	<u>27,169</u>	<u>704,324</u>
Total revenues and support			
Reclassifications			
Net assets released from restrictions	31,172	(31,172)	-
	<u>708,327</u>	<u>(4,003)</u>	<u>704,324</u>
Total revenues and support and reclassifications			
Expenses			
Program services	356,338	-	356,338
Management and general	81,177	-	81,177
Fundraising	77,411	-	77,411
	<u>514,926</u>	<u>-</u>	<u>514,926</u>
Total expenses			
Change in net assets	193,401	(4,003)	189,398
Net assets, beginning of year	2,297,149	99,904	2,397,053
Net assets, end of year	<u>\$ 2,490,550</u>	<u>\$ 95,901</u>	<u>\$ 2,586,451</u>

See accompanying notes to the financial statements.

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Functional Expenses

For the year ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensatory expenses				
Salaries and wages	\$ 164,017	\$ 36,779	\$ 40,129	\$ 240,925
Payroll taxes	12,823	2,875	3,137	18,835
Total compensatory expenses	176,840	39,654	43,266	259,760
Other expenses				
Occupancy	68,136	4,770	2,801	75,707
Depreciation	43,650	3,055	1,794	48,499
Horse care	31,108	-	-	31,108
Insurance	17,962	1,257	738	19,957
Other event expenses	-	-	18,452	18,452
Utilities	12,219	856	502	13,577
Office expenses	1,734	9,899	-	11,633
Uncollected pledges	-	10,000	-	10,000
Advertising	-	-	9,198	9,198
Professional fees	-	7,312	-	7,312
Miscellaneous	2,332	2,746	660	5,738
Software and technology	-	1,628	-	1,628
Training	1,513	-	-	1,513
Travel and entertainment	844	-	-	844
Total expenses	<u>\$ 356,338</u>	<u>\$ 81,177</u>	<u>\$ 77,411</u>	<u>\$ 514,926</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Cash Flows

For the year ended December 31, 2021

Operating activities	
Change in net assets	\$ 189,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,499
In-kind contributions of property and equipment	(87,528)
Contributions restricted for long-term purposes	(16,528)
Net loss on investments	2,874
Forgiveness of Paycheck Protection Program loan	(45,622)
Uncollectible pledges	10,000
Changes in operating assets and liabilities:	
Accounts receivable	4,550
Unconditional promises to give	1,570
Prepaid expenses	(3,553)
Accounts payable and accrued expenses	1,649
Deferred revenue	(4,350)
Net cash provided by operating activities	<u>100,959</u>
Investing activities	
Purchases of investments	(542,248)
Purchases of property and equipment	(52,276)
Proceeds from sale of investments	<u>8,358</u>
Net cash used in investing activities	<u>(586,166)</u>
Financing activities	
Proceeds from contributions restricted for long-term projects	<u>16,528</u>
Net cash provided by financing activities	<u>16,528</u>
Change in cash and cash equivalents	<u>(468,679)</u>
Cash and cash equivalents, beginning of year	<u>1,054,092</u>
Cash and cash equivalents, end of year	<u>\$ 585,413</u>

Note 1 – Organization and Activities

Southern Reins Center for Equine Therapy (the “Organization”) is a not-for-profit formed to provide equine-assisted services to individuals with physical, cognitive, and emotional disabilities to empower, inspire, nurture, and succeed. The Organization offers adaptive horseback riding, Making Strides recreation therapy, unbridled horsemanship and barn lessons, equine-assisted psychotherapy, silver stirrups site visits, and PATH Intl. Equine Services for Heroes.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this basis of accounting, revenue and support are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a deferred maintenance reserve.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Promises to give are recognized when they are determined to be an unconditional promise to give. Accordingly, promises to give that contain donor-imposed conditions are not recognized until the condition is substantially met. However, if the possibility that a condition will not be met is remote, a conditional promise to give is considered unconditional. Promises to give due in more than one year are discounted to the present value of the estimated future cash flows. As of December 31, 2021, management has determined that no allowance for doubtful promises to give was required based on current trends.

Note 2 – Summary of Significant Accounting Policies (continued)

Property, Equipment, and Depreciation

Property and equipment is stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is determined using the straight-line method over the estimated useful lives of the assets which range from five to thirty-nine years.

The Organization utilizes horses on loan which are not capitalized as it does not expect title to transfer at the end of the agreement and the cost is indeterminable.

Board Designated Net Assets

The Organization maintains a board designated deferred maintenance reserve. As of December 31, 2021, the board designated deferred maintenance reserve totaled \$65,041, which is included within net assets without donor restrictions in the accompanying statement of financial position.

Revenue from Contracts with Customers

Program related income is generated by the Organization's operational activities and, therefore, considered separate from the Organization's contributed support. The Organization has evaluated its lesson contracts and determined that its contracts qualify for recognizing revenue at the point in time the obligation is fulfilled, which is when services are rendered to the customer. For multiple contracts with a single customer, the Company accounts for each contract separately.

The contract liability, "deferred revenue," represents the Organization's obligation to render services to a customer for which the Organization has been paid by the customer or for which the Organization has billed the customer under the terms of the contract. Revenue for future services reflected in this account are recognized, and the liability is reduced, as the Organization subsequently satisfies the performance obligation under the contract.

Support

Contributions received are recognized as support with or without donor restrictions, depending on the existence of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as contributions without donor restrictions at the date of donation unless the donor has restricted the donated asset to a specific purpose.

Fair Value Measurements

Accounting standards define fair value as 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 and establish the framework for a fair value hierarchy. This hierarchy gives the highest priority to observable inputs such as quoted market prices in active markets for identical assets (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Note 2 – Summary of Significant Accounting Policies (continued)*Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization files tax returns in the United States federal jurisdiction. The Organization is no longer subject to examination by federal authorities for years prior to 2018.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2021.

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, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Type of Expense</u>	<u>Method of Allocation</u>
Building occupancy	Square footage
Interest on building loan	Square footage
Salaries	Time and effort
Payroll taxes and benefits	Time and effort

Subsequent Events

Management has evaluated subsequent events through February 22, 2022, the date the financial statements were available to be issued.

Note 3 – Investments

As of December 31, 2021, investments consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 531,016	\$ 533,871
Total	<u>\$ 531,016</u>	<u>\$ 533,871</u>

For the year ended December 31, 2021, net investment income consisted of the following:

Net loss for the year	\$ (2,874)
Interest and dividend income	<u>5,538</u>
Net investment income	<u>\$ 2,664</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2021

Note 4 – Fair Value Measurements

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2021, fair values of assets and liabilities measured on a recurring basis included the following:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds	\$ 531,016	\$ 531,016
Total	<u>\$ 531,016</u>	<u>\$ 531,016</u>

Mutual Funds

Valued at quoted market prices which are based upon the net asset value of the respective fund. Mutual funds held by the Organization are open-end funds that are registered with the Securities Exchange Commission. These investments are valued at the daily closing price as reported on the active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine fair value could result in a different fair value measurement as of the reporting date.

Note 5 – Property and Equipment

As of December 31, 2021, property and equipment consisted of the following:

Buildings	\$ 1,003,448
Land and land improvements	442,457
Vehicles	81,000
Furnishings	14,801
Equipment	<u>40,171</u>
Total property and equipment	1,581,877
Accumulated depreciation	<u>(140,414)</u>
Property and equipment, net	<u>\$ 1,441,463</u>
Depreciation expense for the year	<u>\$ 48,499</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2021

Note 6 – Paycheck Protection Program Loan

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In April 2020, the Organization received a Small Business Administration (“SBA”) loan in the amount of \$45,622 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Organization must utilize the proceeds to fund/offset qualifying expenses over an eight-week period, which can be extended to twenty-four weeks if elected. The terms of the agreement specify that the Organization must repay the principal of the loan back plus interest, which accrues at 1% annually. The loan matures in two years which totals \$912 in interest expense. Upon maturity, the loan and accrued interest payable may be forgiven if the Organization fulfills the agreed upon terms. The Organization has elected to treat the PPP loan in accordance with the FASB ASC 470, *Debt*, model. Under this model, the effects of any anticipated forgiveness of the loan are not recognized in the financial statements until the Organization has been notified by the SBA that the loan, in whole or in part, has been approved for forgiveness. On April 7, 2021, the Organization was granted full forgiveness of the loan from the SBA. Accordingly, \$45,622 has been recognized as government grant support in the accompanying statement of activities for the year ending December 31, 2021.

Note 7 – Net Assets with Donor Restrictions

As of December 31, 2021, net assets with donor restrictions consisted of the following:

Purpose restrictions	
TEACH program	\$ 8,154
Scholarships	86,747
2022 Horse sponsorship	<u>1,000</u>
Net assets with donor restrictions	<u>\$ 95,901</u>

Net assets were released from donor restrictions by the passage of time and fulfillment of purpose for the year ended December 31, 2021, as follows:

Restricted as to time	
Veteran funding	\$ 10,000
Restricted as to purpose	
TEACH program	700
Scholarships	16,000
Capital campaign	<u>4,472</u>
Net assets released from restrictions	<u>\$ 31,172</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2021

Note 8 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2021, the Organization's unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Unrestricted financial assets at year end:	
Cash and cash equivalents	\$ 585,413
Investments	531,016
Accounts receivable	2,286
Unconditional promises to give	<u>34,750</u>
Total unrestricted financial assets	<u>1,153,465</u>
Less amounts not available to be used within one year:	
Board designated net assets	65,041
Net assets with donor restrictions	95,901
Excluding net assets with restrictions to be met in less than a year	<u>(31,431)</u>
	<u>129,511</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,023,954</u>