

SOUTHERN REINS CENTER FOR EQUINE THERAPY

FINANCIAL STATEMENTS

DECEMBER 31, 2023

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Table of Contents

December 31, 2023

Independent Auditor’s Report 2

Statement of Financial Position 4

Statement of Activities 5

Statement of Functional Expenses 6

Statement of Cash Flows 7

Notes to the Financial Statements..... 8



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, 2023, 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, 2023, 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
June 14, 2024

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Financial Position

December 31, 2023

ASSETS

Cash, cash equivalents, and restricted cash	\$ 662,189
Certificates of deposit	750,660
Accounts receivable	346
Other receivable	27,280
Interest receivable	17,694
Unconditional promises to give	19,066
Prepaid expenses	26,995
Property and equipment, net	<u>1,663,706</u>
Total assets	<u>\$ 3,167,936</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 32,339
Deferred revenue	<u>2,125</u>
Total liabilities	<u>34,464</u>
Net assets	
Without donor restrictions	2,837,823
With donor restrictions	<u>295,649</u>
Total net assets	<u>3,133,472</u>
Total liabilities and net assets	<u>\$ 3,167,936</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Activities

For the year ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Special events			
Jockeys and Juleps	\$ 363,696	\$ -	\$ 363,696
Southern Supper	64,427	-	64,427
Capital campaign	10,000	-	10,000
Contributions	184,670	49,833	234,503
In-kind contributions	50,680	-	50,680
Program service revenue			
Lesson income, net	130,688	-	130,688
Other	15,192	-	15,192
Net investment income	45,155	-	45,155
Loss on disposal of property and equipment	<u>(60,750)</u>	<u>-</u>	<u>(60,750)</u>
Total revenues and support	803,758	49,833	853,591
Reclassifications			
Net assets released from restrictions	<u>158,035</u>	<u>(158,035)</u>	<u>-</u>
Total revenues and support and reclassifications	<u>961,793</u>	<u>(108,202)</u>	<u>853,591</u>
Expenses			
Program services	497,865	-	497,865
Management and general	91,689	-	91,689
Fundraising	<u>226,892</u>	<u>-</u>	<u>226,892</u>
Total expenses	<u>816,446</u>	<u>-</u>	<u>816,446</u>
Change in net assets	145,347	(108,202)	37,145
Net assets, beginning of year	<u>2,692,476</u>	<u>403,851</u>	<u>3,096,327</u>
Net assets, end of year	<u>\$ 2,837,823</u>	<u>\$ 295,649</u>	<u>\$ 3,133,472</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Functional Expenses

For the year ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensatory expenses				
Salaries and wages	\$ 227,336	\$ 56,803	\$ 69,200	\$ 353,339
Payroll taxes	17,088	4,270	5,201	26,559
Employee benefits	5,327	1,331	1,622	8,280
	<u>249,751</u>	<u>62,404</u>	<u>76,023</u>	<u>388,178</u>
Total compensatory expenses				
Other expenses				
Other event expenses	-	-	127,870	127,870
Depreciation	66,628	4,602	4,602	75,832
Occupancy	60,416	3,356	3,356	67,128
Horse care	63,700	-	-	63,700
Insurance	24,654	1,370	1,370	27,394
Utilities	12,699	706	706	14,111
Office expenses	11,471	637	637	12,745
Advertising	-	-	11,841	11,841
Miscellaneous	4,916	6,027	487	11,430
Professional fees	-	7,938	-	7,938
Software and technology	-	4,649	-	4,649
Travel and entertainment	2,670	-	-	2,670
Training	960	-	-	960
	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
Total expenses	<u>\$ 497,865</u>	<u>\$ 91,689</u>	<u>\$ 226,892</u>	<u>\$ 816,446</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Statement of Cash Flows

For the year ended December 31, 2023

Operating activities	
Change in net assets	\$ 37,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	75,832
Contributions restricted for long-term purposes	(5,000)
Loss on disposal of property and equipment	60,750
Changes in operating assets and liabilities:	
Accounts receivable	2,201
Other receivable	(27,280)
Interest receivable	(17,694)
Unconditional promises to give	24,434
Prepaid expenses	1,381
Accounts payable and accrued expenses	7,788
Deferred revenue	<u>(375)</u>
Net cash provided by operating activities	<u>159,182</u>
Investing activities	
Purchases of property and equipment	(97,732)
Purchases of certificates of deposit	<u>(750,660)</u>
Net cash used in investing activities	<u>(848,392)</u>
Financing activities	
Proceeds from contributions restricted for long-term projects	<u>5,000</u>
Net cash provided by financing activities	<u>5,000</u>
Change in cash, cash equivalents, and restricted cash	<u>(684,210)</u>
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,346,399</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 662,189</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 and an operating 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 those 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.

Certificates of Deposit

Certificates of deposit totaled \$750,660 at December 31, 2023. The certificates bear interest at rates ranging from 5.25% to 5.50% and mature with varying maturities ranging from March 2024 to September 2024 and include penalties for early withdrawal. Any penalty for early withdrawal would not have a material effect on the financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2023, management has determined that no allowance for doubtful promises to give was required based on current trends.

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 well as an operating reserve. As of December 31, 2023, the board designated deferred maintenance reserve totaled 165,191 and the operating reserve totaled \$946,707, of which \$750,660 is in certificates of deposit and \$196,047 is in restricted cash, for total board designated restrictions of \$1,111,898 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 2020.

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, 2023.

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:

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

Recently Adopted Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326) (“ASU 2016-13”). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Subsequent Events

Management has evaluated subsequent events through June 14, 2024, the date the financial statements were available to be issued.

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2023

Note 3 – Cash, Cash Equivalents, and Restricted Cash

As of December 31, 2023, cash, cash equivalents, and restricted cash for statement of cash flow purposes consisted of the following:

Unrestricted:		
Cash and cash equivalents	\$	75,092
Restricted:		
Facility maintenance fund		165,191
Scholarship fund		71,150
Operating reserve		196,047
Equine Services for Heroes funds		36,159
TEACH program funds		<u>118,550</u>
Total cash, cash equivalents, and restricted cash for statement of cash flows purposes	\$	<u>662,189</u>

Note 4 – Receivables, Contract Assets, and Contract Liabilities

The opening and closing balances of receivables, contract assets, and contract liabilities consisted of the following:

	January 1, 2023	December 31, 2023
Accounts receivable		
Accounts receivable	\$ 2,547	\$ 346
Other receivable	-	27,280
Interest receivable	-	17,694
Unconditional promises to give	<u>43,500</u>	<u>19,066</u>
Total accounts receivable	<u>46,047</u>	<u>64,386</u>
Contract liabilities		
Deferred revenue	<u>2,500</u>	<u>2,125</u>
Total contract liabilities	<u>\$ 2,500</u>	<u>\$ 2,125</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2023

Note 5 – Property and Equipment

As of December 31, 2023, property and equipment consisted of the following:

Buildings	\$ 1,023,863
Land and land improvements	771,114
Vehicles	41,860
Furnishings	23,937
Equipment	<u>62,237</u>
Total property and equipment	1,923,011
Accumulated depreciation	<u>(259,305)</u>
Property and equipment, net	<u>\$ 1,663,706</u>
Depreciation expense for the year	<u>\$ 75,832</u>

Note 6 – Net Assets with Donor Restrictions

As of December 31, 2023, net assets with donor restrictions consisted of the following:

Time restrictions	
Contributions pledged but not received	<u>\$ 18,633</u>
Purpose restrictions	
TEACH program	118,550
Scholarships	107,250
Sensory trail	<u>51,216</u>
Net assets with donor restrictions	<u>\$ 295,649</u>

Net assets were released from donor restrictions by the passage of time and fulfillment of purpose for the year ended December 31, 2023, as follows:

Restricted as to time	
Contributions pledged but not received	<u>\$ 43,500</u>
Restricted as to purpose	
TEACH program	86,648
Scholarships	10,678
Sensory trail	<u>17,209</u>
Net assets released from restrictions	<u>\$ 158,035</u>

SOUTHERN REINS CENTER FOR EQUINE THERAPY

Notes to the Financial Statements

December 31, 2023

Note 7 – In-kind Contributions

In-kind contributions for the year ended December 31, 2023 consisted of the following:

Event expenses	\$ 32,806
Horse care	9,194
Administrative services, signage, and supplies	3,198
Repairs and maintenance services	4,329
Food and drinks	<u>1,153</u>
Total	<u>\$ 50,680</u>

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, 2023, the Organization's unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year end:	
Cash, cash equivalents, and restricted cash	\$ 662,189
Certificates of deposit	750,660
Accounts receivable	346
Other receivable	27,280
Interest receivable	17,694
Unconditional promises to give	<u>19,066</u>
Total financial assets	<u>1,477,235</u>
Less amounts not available to be used within one year:	
Board designated deferred maintenance reserve	165,191
Board designated operating reserve	946,707
Net assets with donor restrictions	295,649
Excluding net assets with restrictions to be met in less than a year	<u>(135,000)</u>
	<u>1,272,547</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 204,688</u>