SOUTHERN REINS CENTER FOR EQUINE THERAPY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Table of Contents ***December 31, 2022***

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, 2022, 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, 2022, 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.

Frazee Ivy Davis PLC

Memphis, Tennessee
March 22, 2023

Statement of Financial Position *December 31, 2022*

ASSETS

Cash and cash equivalents	$ 1,346,399
Accounts receivable	2,547
Unconditional promises to give	43,500
Prepaid expenses	28,376
Property and equipment, net	1,702,556
Total assets	$ 3,123,378

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 24,551
Deferred revenue	2,500
Total liabilities	27,051
Net assets	
Without donor restrictions	2,692,476
With donor restrictions	403,851
Total net assets	3,096,327
Total liabilities and net assets	$ 3,123,378

Statement of Activities ***For the year ended December 31, 2022***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Special events			
Jockeys and Juleps	$ 378,001	$ -	$ 378,001
Southern Supper	44,685	-	44,685
Other events	742	-	742
Capital campaign	1,550	-	1,550
Contributions	194,396	350,306	544,702
In-kind contributions	137,694	-	137,694
Program service revenue			
Lesson income, net	92,039	-	92,039
Other	18,368	-	18,368
Net investment income	4,409	-	4,409
Gain on disposal of property and equipment	4,686	-	4,686
Total revenues and support	876,570	350,306	1,226,876
Reclassifications			
Net assets released from restrictions	42,356	(42,356)	-
Total revenues and support and reclassifications	918,926	307,950	1,226,876
Expenses			
Program services	421,691	-	421,691
Management and general	96,232	-	96,232
Fundraising	199,077	-	199,077
Total expenses	717,000	-	717,000
Change in net assets	201,926	307,950	509,876
Net assets, beginning of year	2,490,550	95,901	2,586,451
Net assets, end of year	$ 2,692,476	$ 403,851	$ 3,096,327

See accompanying notes to the financial statements.

Statement of Functional Expenses ***For the year ended December 31, 2022***

	Program Services	Management and General	Fundraising	Total
Compensatory expenses				
Salaries and wages	$ 202,086	$ 55,925	$ 66,676	$ 324,687
Payroll taxes	15,521	4,295	5,121	24,937
Employee benefits	4,593	1,271	1,516	7,380
Total compensatory expenses	222,200	61,491	73,313	357,004
Other expenses				
Other event expenses	-	-	104,339	104,339
Depreciation	67,752	3,764	3,764	75,280
Horse care	44,268	-	-	44,268
Occupancy	38,323	2,129	2,129	42,581
Insurance	24,867	1,382	1,382	27,631
Utilities	13,804	767	767	15,338
Office expenses	1,847	12,413	-	14,260
Advertising	-	-	12,392	12,392
Miscellaneous	4,714	4,453	991	10,158
Professional fees	-	7,031	-	7,031
Software and technology	-	2,802	-	2,802
Travel and entertainment	2,717	-	-	2,717
Training	1,199	-	-	1,199
Total expenses	$ 421,691	$ 96,232	$ 199,077	$ 717,000

See accompanying notes to the financial statements.

Statement of Cash Flows ***For the year ended December 31, 2022***

Operating activities	
Change in net assets	$ 509,876
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	75,280
In-kind contributions of property and equipment	(98,890)
Contributions restricted for long-term purposes	(6,000)
Net loss on investments	1,470
Gain on sale of property and equipment	(4,686)
Changes in operating assets and liabilities:	
Accounts receivable	(261)
Unconditional promises to give	(8,750)
Prepaid expenses	(14,497)
Accounts payable and accrued expenses	3,407
Deferred revenue	1,288
Net cash provided by operating activities	458,237
Investing activities	
Proceeds from sale of property and equipment	8,050
Purchases of property and equipment	(240,847)
Purchases of investments	(225)
Proceeds from sale of investments	529,771
Net cash provided by investing activities	296,749
Financing activities	
Proceeds from contributions restricted for long-term projects	6,000
Net cash provided by financing activities	6,000
Change in cash and cash equivalents	760,986
Cash and cash equivalents, beginning of year	585,413
Cash and cash equivalents, end of year	$ 1,346,399

See accompanying notes to the financial statements.

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 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.

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, 2022, 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, 2022, the board designated deferred maintenance reserve totaled $108,220, 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.

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 2019.

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, 2022.

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

Effective January 1, 2022, the first day of the Organization's fiscal year, the Organization adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). The new guidance requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit organization has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Subsequent Events

Management has evaluated subsequent events through March 22, 2023, the date the financial statements were available to be issued.

Note 3 – Investments

As of December 31, 2022, the Organization had liquidated all of its investments. For the year ended December 31, 2022, net investment income consisted of the following:

Net loss for the year	$ (1,470)
Interest and dividend income	5,879
Net investment income	$ 4,409

Note 4 – Property and Equipment

As of December 31, 2022, property and equipment consisted of the following:

Buildings	$ 1,008,748
Land and land improvements	752,319
Vehicles	81,000
Furnishings	20,961
Equipment	43,251
Total property and equipment	1,906,279
Accumulated depreciation	(203,723)
Property and equipment, net	$ 1,702,556
Depreciation expense for the year	$ 75,280

Note 5 – Net Assets with Donor Restrictions

As of December 31, 2022, net assets with donor restrictions consisted of the following:

Time restrictions	
Contributions pledged by not received	$ 43,500
Purpose restrictions	
TEACH program	205,198
Scholarships	86,728
Sensory trail	68,425
Total purpose restrictions	360,351
Net assets with donor restrictions	$ 403,851

Net assets were released from donor restrictions by the fulfillment of purpose for the year ended December 31, 2022, as follows:

TEACH program	$ 2,956
Scholarships	38,400
2022 horse sponsorship	1,000
Net assets released from restrictions	$ 42,356

Note 6 – In-kind Contributions

In-kind contributions for the year ended December 31, 2022 consisted of the following:

Property and equipment	$ 98,890
Event expenses	21,178
Horse care	8,115
Administrative services, signage, and supplies	5,574
Grouds maintenance services	2,526
Stock	1,411
Total	$ 137,694

Note 7 – 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, 2022, 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	$ 1,346,399
Accounts receivable	2,547
Unconditional promises to give	43,500
Total unrestricted financial assets	1,392,446
Less amounts not available to be used within one year:	
Board designated net assets	108,220
Net assets with donor restrictions	403,851
Excluding net assets with restrictions to be met in less than a year	(130,000)
	382,071
Financial assets available to meet general expenditures over the next twelve months	$ 1,010,375