

HIGH HOPES THERAPEUTIC RIDING, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2019 AND 2018

HIGH HOPES THERAPEUTIC RIDING, INC.

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INDEPENDENT AUDITOR'S REPORT

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## Independent Auditor's Report

To the Audit Committee and  
Board of Trustees  
High Hopes Therapeutic Riding, Inc.  
Old Lyme, Connecticut

We have audited the accompanying financial statements of High Hopes Therapeutic Riding, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Hopes Therapeutic Riding, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mahoney Sabol & Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
November 5, 2019

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 298,715	\$ 357,329
Accounts receivable	52,995	52,441
Prepaid expenses	5,303	525
Contributions receivable	357,400	14,000
Endowment campaign pledges receivable, net	849,930	597,939
Investments	4,457,917	4,081,389
Property and equipment, net	<u>1,523,419</u>	<u>1,573,331</u>
	<u>\$ 7,545,679</u>	<u>\$ 6,676,954</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,357	\$ 47,718
Accrued expenses	25,819	14,261
Advance fees for services	<u>60,461</u>	<u>41,691</u>
TOTAL CURRENT LIABILITIES	<u>104,637</u>	<u>103,670</u>
NET ASSETS:		
Without donor restrictions	1,906,194	2,123,851
With donor restrictions	<u>5,534,848</u>	<u>4,449,433</u>
TOTAL NET ASSETS	<u>7,441,042</u>	<u>6,573,284</u>
	<u>\$ 7,545,679</u>	<u>\$ 6,676,954</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Support:						
Contributions and grants	\$ 416,422	\$ 1,091,062	\$ 1,507,484	\$ 437,555	\$ 1,058,342	\$ 1,495,897
Special events, net	216,829	118,610	335,439	250,481	56,783	307,264
Total support	633,251	1,209,672	1,842,923	688,036	1,115,125	1,803,161
Revenues:						
Fees for services	396,361	-	396,361	442,444	-	442,444
Other operating income	7,084	-	7,084	1,420	-	1,420
Total revenues	403,445	-	403,445	443,864	-	443,864
Total support and revenues	1,036,696	1,209,672	2,246,368	1,131,900	1,115,125	2,247,025
Net assets released from restrictions:						
Restrictions satisfied by time or purpose	377,034	(377,034)	-	272,494	(272,494)	-
Total support, revenue and reclassifications	1,413,730	832,638	2,246,368	1,404,394	842,631	2,247,025
Expenses:						
Program	1,138,177	-	1,138,177	1,101,399	-	1,101,399
General and administrative	167,121	-	167,121	165,094	-	165,094
Fundraising	326,830	-	326,830	345,323	-	345,323
Total expenses	1,632,128	-	1,632,128	1,611,816	-	1,611,816
Change in net assets from operations	(218,398)	832,638	614,240	(207,422)	842,631	635,209
Other income (loss):						
Investment income	741	252,777	253,518	1,252	276,903	278,155
Loss on disposal of property and equipment	-	-	-	(1,241)	-	(1,241)
Total other income	741	252,777	253,518	11	276,903	276,914
Change in net assets	(217,657)	1,085,415	867,758	(207,411)	1,119,534	912,123
Net Assets:						
Beginning of year	2,123,851	4,449,433	6,573,284	2,331,262	3,329,899	5,661,161
End of year	\$ 1,906,194	\$ 5,534,848	\$ 7,441,042	\$ 2,123,851	\$ 4,449,433	\$ 6,573,284

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program	General and Administrative	Fund- Raising	Total	Program	General and Administrative	Fund- Raising	Total
Personnel	\$ 719,559	\$ 131,981	\$ 178,300	\$ 1,029,840	\$ 662,950	\$ 118,453	\$ 179,590	\$ 960,993
Equine expenses	133,166	-	-	133,166	133,005	-	-	133,005
Program expenses	48,309	-	-	48,309	41,583	-	-	41,583
Facilities	68,232	2,817	7,417	78,466	70,067	2,977	5,619	78,663
Insurance	16,939	3,092	507	20,538	26,029	3,307	632	29,968
Office expenses	39,499	8,397	29,489	77,385	49,334	16,465	27,605	93,404
Professional fees	2,120	19,010	46,443	67,573	32,137	20,365	36,425	88,927
Endowment campaign	-	-	57,829	57,829	-	-	91,925	91,925
Bad debt expense	4,820	-	-	4,820	22,800	-	-	22,800
Total expenses before depreciation	1,032,644	165,297	319,985	1,517,925	1,037,905	161,567	341,796	1,541,268
Depreciation and amortization	105,533	1,824	6,846	114,203	63,494	3,527	3,527	70,548
Total expenses	<u>\$ 1,138,177</u>	<u>\$ 167,121</u>	<u>\$ 326,830</u>	<u>\$ 1,632,128</u>	<u>\$ 1,101,399</u>	<u>\$ 165,094</u>	<u>\$ 345,323</u>	<u>\$ 1,611,816</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 867,758	\$ 912,123
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	114,203	70,548
Loss on disposal of property and equipment	-	1,241
Net realized and unrealized gain on investments	(164,982)	(202,139)
Contributions received for endowments	(599,839)	(843,873)
(Increase) decrease in operating assets:		
Accounts receivable	(554)	35,092
Prepaid expenses	(4,778)	28,971
Unconditional promises to give	(343,400)	7,000
Increase (decrease) in operating liabilities:		
Accounts payable	(29,361)	4,604
Accrued expenses	11,558	918
Advance fees for services	18,770	(9,716)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(130,625)</u>	<u>4,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	14,673	3,490,083
Purchase of investments	(226,219)	(3,686,322)
Acquisition of property and equipment	<u>(64,291)</u>	<u>(76,702)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(275,837)</u>	<u>(272,941)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowments	599,839	843,873
Endowment campaign pledges	<u>(251,991)</u>	<u>(597,939)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>347,848</u>	<u>245,934</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(58,614)</u>	<u>(22,238)</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>357,329</u>	<u>379,567</u>
End of year	<u><u>\$ 298,715</u></u>	<u><u>\$ 357,329</u></u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION:

High Hopes Therapeutic Riding, Inc. (High Hopes) is a nonprofit charitable organization in Connecticut whose mission is foster a vibrant community where horse and human interactions improve lives. High Hopes is committed to providing efficient, safe, innovative and professional therapeutic riding programs to individuals with disabilities of all ages. High Hopes was founded on the belief that experiencing and riding horses in a secure, challenging and companionable environment will achieve this objective. The focus is on each participant's need to achieve meaningful gains in balance, coordination, strength, confidence and self-respect.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* – These net assets generally result from revenue generated by receiving contributions that have no donor restrictions, provided services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net Assets With Donor Restrictions* – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted (See Note 8).

Use of Estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

High Hopes recognizes contributions received and made, including unconditional promises to give, as revenue in the period made or received. Contributions received are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended June 30, 2019 and 2018.



HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributed Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by High Hopes. These services are used in program, administrative, marketing and advertising. During 2019 and 2018, approximately \$191,000 and \$238,000, respectively, was recognized as donated services. Many individuals also volunteer their time and perform a variety of tasks that assist High Hopes with program, administrative, marketing and advertising as well as various committee assignments through the year that are not recognized as contributions in the financial statements. These volunteers donated approximately 21,000 and 29,000 volunteer hours during the years ended June 30, 2019 and 2018, respectively.

Cash and Cash Equivalents:

High Hopes considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Federal Deposit Insurance Company (FDIC) coverage is \$250,000 per institution. At various times during the years ended June 30, 2019 and 2018, cash balances exceeded FDIC limits. At June 30, 2018, cash exceeded FDIC limits by approximately \$10,000.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes all balances are collectible at June 30, 2019 and 2018, therefore no allowance has been established.

Contributions and Endowment Campaign Pledges Receivable:

Contributions and endowment campaign pledges receivable represent unconditional promises to give. A contribution in the form of an unconditional promise to give is recognized as revenue by High Hopes in the period in which the promise is received. Material endowment campaign pledges receivable that are expected to be collected in future years, if any, are recorded at the present value of estimated future cash flows. When necessary, an allowance for endowment campaign pledges receivable is recorded based on management's evaluation of potential uncollectible unconditional promises at year-end (see Note 3).

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the statement of financial position. The fair values for equity securities and debt securities are based on quoted market prices. Gains and losses on dispositions of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the 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 of restriction is accomplished) in the reporting period in which the income and gains are recognized.

Endowment:

High Hope's donor restricted endowment consists of two funds, which were established for the purpose of providing general operational support for the High Hopes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions (see Note 3).

*Interpretation of relevant law* – The Board has determined that the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to High Hopes endowment fund. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.

High Hopes classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by High Hopes in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA.

*Investment policy statement* – The fundamental investment objectives for investments are to ensure safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investment pools and achieve optimal net investment returns subject to the risk tolerance, investment pool objectives and policy constraints. The asset pools in which the endowment funds are invested require current income which is the minimum needed for expenses and prudent liquidity, growth of income for planning and execution of distributions, and capital growth for long term growth and sustainability.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Endowment (continued):

*Spending policy statement* – In making expenditures from endowment funds, the Board of Directors complies first with any restrictions or requirements in the gift instrument as to purpose and amount. Except as otherwise provided by the gift instrument, in making expenditures from endowment funds, the Board takes into account all relevant considerations, including, but not limited to, the long and short-term needs of High Hopes in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board conducts an annual analysis of the historic dollar value of the endowment funds and has approved a spending policy whereby a portion of interest and dividends on donor-restricted endowment funds are appropriated for expenditure annually.

*Underwater endowment funds* – High Hopes considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. High Hopes complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. High Hopes has no underwater endowment funds at June 30, 2019 and 2018.

Fair Value of Financial Instruments:

High Hopes has a number of financial instruments and none are held for trading purposes. High Hopes estimates that the fair value of all financial instruments as of June 30, 2019 and 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. High Hopes, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts (see Note 10). Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that High Hopes could realize in a current market exchange.

Property and Equipment:

Expenditures for property and equipment and the fair value of donated assets are capitalized on the statement of financial position. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. High Hopes capitalization threshold is set at \$2,500 with a useful life of three years and greater. For assets sold or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment (Continued):

The estimated useful lives are as follows:

Building and improvements	30 - 40 years
Land and land improvements	10 - 12 years
Furniture and fixtures	3 - 12 years
Horses	5 years
Software	3 - 5 years
Trucks, tractors and barn equipment	5 - 10 years

Impairment of Long-Lived Assets:

High Hopes recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There were no impairment losses recognized for the years ended June 30, 2019 and 2018.

Donated Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, High Hopes reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. High Hopes reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Income Tax:

High Hopes is a Connecticut not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the United States of America Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. High Hopes files an informational return in the U.S. federal jurisdiction. High Hopes is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Intermediate Measure of Operations:

High Hopes has presented the statements of activities based on an intermediate measure of operations. The change in net assets from operations in the statements of activities includes all revenues and expenses that are an integral part of the High Hopes' programs and supporting activities and net assets released from restriction to support operating expenditures. The measure of operations excludes investment income.

Functional Allocation of Expenses:

The financial statements present expenses by function and natural classification. Expenses directly attributable to a specific function of High Hopes are reported as expenses of those function areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other support services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

Accounting Pronouncement Adopted:

In August 2016, the FASB issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). High Hopes has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspect of High Hopes financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class have been renamed net assets without donor restrictions.
- The financial statements include a new disclosure of quantitative and qualitative information regarding liquidity and availability of resources (see Note 11)

The changes have the following effect on net assets at June 30, 2018:

	<u>As Originally Presented</u>	<u>Adoption of ASU 2016-14</u>
Net Asset Class:		
Unrestricted net assets	\$ 2,123,851	\$ -
Temporarily restricted net assets	2,029,397	-
Permanently restricted net assets	2,420,036	-
Net assets without donor restrictions	-	2,123,851
Net assets with donor restrictions	-	4,449,433
	<u>\$ 6,573,284</u>	<u>\$ 6,573,284</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reclassifications:

Certain amounts as of June 30, 2018 have been reclassified to conform to the June 30, 2019 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through November 5, 2019 the date which the financial statements were available for issue.

NOTE 3 – ENDOWMENT CAMPAIGN PLEDGE RECEIVABLES:

The Board approved a \$3,000,000 capital campaign designed to raise money for the Endowment. The campaign began in September 2017 (silent phase) and was announced to the public once the silent phase reached \$2,000,000.

Pledge receivables to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates (approximately 1.76% and 2.73% at June 30, 2019 and 2018, respectively) applicable to the years in which the promises are expected to be collectible. Amortization of the discounts will be included in contribution revenues in future years. Net endowment pledge receivables are as follows at June 30, 2019:

Receivable in less than one year	\$	244,517
Receivable in two to five years		652,413
Gross pledge receivables		<u>896,930</u>
Less discount to present value		<u>(47,000)</u>
	\$	<u><u>849,930</u></u>

NOTE 4 – INVESTMENTS:

Investments, at fair value, consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equity Mutual Funds	\$ 3,356,426	\$ 3,064,947
Bond Mutual Funds	<u>1,101,491</u>	<u>1,016,442</u>
	<u><u>\$ 4,457,917</u></u>	<u><u>\$ 4,081,389</u></u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 – INVESTMENTS (Continued):

Investment income is comprised of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 102,482	\$ 89,424
Investment advisory fees	(14,687)	(14,660)
Net unrealized gain on investments	166,545	206,465
Net realized gain loss on sale of investments	<u>(1,563)</u>	<u>(4,326)</u>
	<u>\$ 252,777</u>	<u>\$ 276,903</u>

NOTE 5 – ENDOWMENT FUNDS:

The Organization's donor restricted endowment consists of two funds, which were established for the purpose of providing general operational support for the Organization. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the Organization's endowment funds are with donor restrictions.

The following summarizes change in endowment net assets with donor restrictions for the years ended June 30:

Endowment net assets, June 30, 2017	\$ 2,741,134
Contributions	843,873
Investment income	89,424
Net appreciation	<u>187,479</u>
Endowment net assets, June 30, 2018	3,861,910
Contributions	599,839
Reclass from time restriction	100,000
Investment income	102,482
Net appreciation	<u>150,295</u>
Endowment net assets, June 30, 2019	<u>\$ 4,814,526</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 1,938,708	\$ 1,900,136
Land and land improvements	828,175	815,956
Software, office equipment and furnishings	382,749	367,749
Truck, tractors and barn equipment	167,071	167,071
Horses	23,000	20,600
Saddles, tack and equipment	7,047	7,047
	<u>3,346,750</u>	<u>3,278,559</u>
Accumulated depreciation and amortization	<u>(1,823,331)</u>	<u>(1,712,728)</u>
	<u>1,523,419</u>	<u>1,565,831</u>
Construction in progress	<u>-</u>	<u>7,500</u>
Property and equipment, net	<u>\$ 1,523,419</u>	<u>\$ 1,573,331</u>

The land owned and used by High Hopes is located in Old Lyme, Connecticut. A large portion is subject to an easement, which restricts the property to agricultural use and limits the total square footage of buildings that may be constructed.

NOTE 7 – DEFINED CONTRIBUTION PLAN:

High Hopes maintains a 403(b) retirement plan (the Plan) which is available to all employees. The Plan allows employees to defer a portion of their annual compensation as defined annually by law. Currently, employees under age 50 may defer up to \$18,000 of their annual compensation and employees age 50 and older may defer up to \$24,000 of their annual compensation. High Hopes can match employee contributions up to 2% of their salaries. Total matching contributions for the years ended June 30, 2019 and 2018 were \$6,832 and \$7,468, respectively. Participants self-direct the investment of their own account.



HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 – SPECIAL EVENTS:

High Hopes holds several fundraising events throughout the year. Revenue is generated by sponsorships, ticket sales, and the sale of donated items. All revenue generated above the value of the basic ticket is considered a contribution. Activity for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Contributions and sponsorships	\$ 562,477	\$ 555,081
Ticket sales	66,134	65,678
Total revenue	628,611	620,759
Less: cost of events	(293,172)	(313,495)
Net revenue from special events	<u>\$ 335,439</u>	<u>\$ 307,264</u>

NOTE 9 – NET ASSETS MANAGEMENT AND RESTRICTIONS:

The Organization internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument.

Net assets with donor restrictions are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Permanent endowment	\$ 3,119,875	\$ 2,420,036
Cumulative endowment		
available for appropriation	1,694,651	1,441,874
Donor imposed time restrictions	470,738	360,206
Restricted for capital acquisitions	154,973	157,088
Restricted for specific program	60,593	22,036
Restricted for other specific purposes	34,018	48,193
	<u>\$ 5,534,848</u>	<u>\$ 4,449,433</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors during the year.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 – FAIR VALUE MEASUREMENTS:

High Hopes follows FASB ASC 820, which established a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is also applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. 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.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and established a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that High Hopes 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following section describes the valuation methodologies used by High Hopes to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions.

Mutual Funds: Valued at the daily closing price reported by the fund. Mutual Funds held by High Hopes are mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by High Hopes are deemed to be actively traded and therefore Level 1.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable.

During the years ended June 30, 2019 and 2018, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

NOTE 11 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted for debt service or capital improvements, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action. The following table reflects High Hopes financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year.

Financial assets:

Cash and cash equivalents	\$ 298,715
Accounts receivable	52,995
Contribution receivable	357,400
Investments	<u>4,457,917</u>
Financial assets, at year end	5,167,027

Less those unavailable for general expenditure within one year, due to:

Contributions collectible beyond one year	(30,000)
Perpetual restricted net assets	(3,119,875)
Net assets with donor restrictions	<u>(2,414,973)</u>
	<u>\$ (397,821)</u>