

HIGH HOPES THERAPEUTIC RIDING, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2021 AND 2020

HIGH HOPES THERAPEUTIC RIDING, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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
October 28, 2021

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 498,163 | \$ 365,370 |
| Accounts receivable | 78,447 | - |
| Prepaid expenses | 3,620 | 5,243 |
| Contributions receivable | 134,904 | 237,250 |
| Endowment campaign pledges receivable, net | 488,464 | 673,948 |
| Investments | 6,578,667 | 4,894,890 |
| Property and equipment, net | <u>1,323,428</u> | <u>1,444,009</u> |
| | <u>\$ 9,105,693</u> | <u>\$ 7,620,710</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 48,561 | \$ 28,134 |
| Deferred revenues | 56,409 | 15,545 |
| Note payable | <u>149,000</u> | <u>152,000</u> |
| TOTAL LIABILITIES | 253,970 | 195,679 |
| NET ASSETS: | | |
| Without donor restrictions | 1,550,191 | 1,508,082 |
| With donor restrictions | <u>7,301,532</u> | <u>5,916,949</u> |
| TOTAL NET ASSETS | <u>8,851,723</u> | <u>7,425,031</u> |
| | <u>\$ 9,105,693</u> | <u>\$ 7,620,710</u> |

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenues: | | | | | | |
| Support: | | | | | | |
| Contributions and grants | \$ 640,155 | \$ 92,860 | \$ 733,015 | \$ 282,571 | \$ 564,002 | \$ 846,573 |
| Special events: | | | | | | |
| Special events revenue | 439,197 | 101,610 | 540,807 | 283,667 | 22,777 | 306,444 |
| Costs of direct benefit to donors | (266,099) | - | (266,099) | (116,236) | - | (116,236) |
| | <u>173,098</u> | <u>101,610</u> | <u>274,708</u> | <u>167,431</u> | <u>22,777</u> | <u>190,208</u> |
| Total support | <u>813,253</u> | <u>194,470</u> | <u>1,007,723</u> | <u>450,002</u> | <u>586,779</u> | <u>1,036,781</u> |
| Revenues: | | | | | | |
| Fees for services | 262,570 | - | 262,570 | 264,039 | - | 264,039 |
| Other operating income | <u>13,990</u> | <u>-</u> | <u>13,990</u> | <u>15,132</u> | <u>-</u> | <u>15,132</u> |
| Total revenues | <u>276,560</u> | <u>-</u> | <u>276,560</u> | <u>279,171</u> | <u>-</u> | <u>279,171</u> |
| | 1,089,813 | 194,470 | 1,284,283 | 729,173 | 586,779 | 1,315,952 |
| Net assets released from restrictions: | <u>312,275</u> | <u>(312,275)</u> | <u>-</u> | <u>391,299</u> | <u>(391,299)</u> | <u>-</u> |
| Total support and revenues | <u>1,402,088</u> | <u>(117,805)</u> | <u>1,284,283</u> | <u>1,120,472</u> | <u>195,480</u> | <u>1,315,952</u> |
| Expenses: | | | | | | |
| Program | 1,028,094 | - | 1,028,094 | 1,079,102 | - | 1,079,102 |
| General and administrative | 177,149 | - | 177,149 | 167,533 | - | 167,533 |
| Fundraising | <u>274,007</u> | <u>-</u> | <u>274,007</u> | <u>271,859</u> | <u>-</u> | <u>271,859</u> |
| Total expenses | <u>1,479,250</u> | <u>-</u> | <u>1,479,250</u> | <u>1,518,494</u> | <u>-</u> | <u>1,518,494</u> |
| Change in net assets from operations | <u>(77,162)</u> | <u>(117,805)</u> | <u>(194,967)</u> | <u>(398,022)</u> | <u>195,480</u> | <u>(202,542)</u> |
| Other income (loss): | | | | | | |
| Investment income | 212 | 1,502,388 | 1,502,600 | 388 | 186,621 | 187,009 |
| Loss on disposal of property and equipment | (32,941) | - | (32,941) | (478) | - | (478) |
| Note payable forgiveness | <u>152,000</u> | <u>-</u> | <u>152,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other income (loss) | <u>119,271</u> | <u>1,502,388</u> | <u>1,621,659</u> | <u>(90)</u> | <u>186,621</u> | <u>186,531</u> |
| Change in net assets | 42,109 | 1,384,583 | 1,426,692 | (398,112) | 382,101 | (16,011) |
| Net Assets: | | | | | | |
| Beginning of year | <u>1,508,082</u> | <u>5,916,949</u> | <u>7,425,031</u> | <u>1,906,194</u> | <u>5,534,848</u> | <u>7,441,042</u> |
| End of year | <u>\$ 1,550,191</u> | <u>\$ 7,301,532</u> | <u>\$ 8,851,723</u> | <u>\$ 1,508,082</u> | <u>\$ 5,916,949</u> | <u>\$ 7,425,031</u> |

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | | | | 2020 | | | |
|--|---------------------|-------------------------------|-------------------|---------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program | General and Administrative | Fund- raising | Total | Program | General and Administrative | Fund- raising | Total |
| Personnel | \$ 597,080 | \$ 132,586 | \$ 173,410 | \$ 903,076 | \$ 671,395 | \$ 132,421 | \$ 181,237 | \$ 985,053 |
| Equine expenses | 131,100 | - | - | 131,100 | 114,060 | - | - | 114,060 |
| Office expenses | 65,511 | 8,104 | 46,447 | 120,062 | 78,244 | 5,019 | 40,210 | 123,473 |
| Professional fees | 27,288 | 24,031 | 38,692 | 90,011 | - | 22,591 | 28,500 | 51,091 |
| Facilities | 54,090 | 2,516 | 2,523 | 59,129 | 50,604 | 2,385 | 2,385 | 55,374 |
| Insurance | 22,358 | 3,349 | 734 | 26,441 | 20,978 | 3,336 | 777 | 25,091 |
| Bad debt expense | 15,435 | - | 9,900 | 25,335 | 2,005 | - | 2,525 | 4,530 |
| Program expenses | 24,960 | - | - | 24,960 | 32,382 | - | - | 32,382 |
| Endowment campaign | - | - | 512 | 512 | - | - | 9,670 | 9,670 |
| Total expenses before depreciation and amortization | 937,822 | 170,586 | 272,218 | 1,380,626 | 969,668 | 165,752 | 265,304 | 1,400,724 |
| Depreciation and amortization | 90,272 | 6,563 | 1,789 | 98,624 | 109,434 | 1,781 | 6,555 | 117,770 |
| Total expenses | <u>\$ 1,028,094</u> | <u>\$ 177,149</u> | <u>\$ 274,007</u> | <u>\$ 1,479,250</u> | <u>\$ 1,079,102</u> | <u>\$ 167,533</u> | <u>\$ 271,859</u> | <u>\$ 1,518,494</u> |

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 1,426,692 | \$ (16,011) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 98,624 | 117,770 |
| Loss on disposal of property and equipment | 32,941 | 478 |
| Net unrealized gain on investments | (1,298,787) | (65,286) |
| Change in contributions receivable discount | (2,636) | 7,550 |
| Contributions received for endowments | (2,613) | (256,783) |
| Forgiveness of note payable | (152,000) | - |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (78,447) | 52,995 |
| Prepaid expenses | 1,623 | 60 |
| Contributions receivable | 102,346 | 120,150 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 20,427 | (16,042) |
| Deferred revenues | 40,864 | (44,916) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>189,034</u> | <u>(100,035)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 369,947 | 422,063 |
| Purchase of investments | (754,937) | (793,750) |
| Acquisition of property and equipment | (10,984) | (38,838) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(395,974)</u> | <u>(410,525)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings on note payable | 149,000 | 152,000 |
| Proceeds from restricted contributions | 190,733 | 425,215 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>339,733</u> | <u>577,215</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 132,793 | 66,655 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | <u>365,370</u> | <u>298,715</u> |
| End of year | <u>\$ 498,163</u> | <u>\$ 365,370</u> |

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION:

High Hopes Therapeutic Riding, Inc. (High Hopes) is a nonprofit charitable organization in Connecticut whose mission is to 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:

High Hopes reports information regarding its financial position and activities in two classes of net assets:

Net Assets Without Donor Restrictions – These net assets generally result from revenue generated by receiving contributions that have no donor restrictions, providing 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 11).

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.

Recognition of Support and Revenue:

In 2021, High Hopes adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and additional ASU's issued to clarify the guidance in ASU 2014-09 (collectively, the new revenue standard). High Hopes adopted the new revenue standard utilizing the modified retrospective transition method. The adoption of the new revenue standard did not have a material impact on previously reported amounts or amounts recognized for the year ended June 30, 2021.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

Recognition of Support and Revenue (continued):

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. High Hopes adopted this ASU for the year ended June 30, 2020 using the full retrospective method and there was no cumulative effect of applying the ASU.

High Hopes derives revenue from contributions and grants, program services, contributed services and fundraising events. Revenue is recognized as follows:

Contributions and grants – High Hopes recognizes contributions and grants received and made, including unconditional promises to give, as revenue in the period made or received. Contributions and grants received are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions and grants 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 or grant is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended June 30, 2021 and 2020.

Special Events – Special events sponsorships and ticket sales are due prior to the date of the event. Special events contains only one performance obligation and revenue is recognized when the performance obligation is satisfied (upon event taking place). Sponsorships, advance ticket sales and other income related to the succeeding year, which are refundable, are recorded as deferred revenue and are recorded as revenue when earned.

Program Services – High Hopes charges fees to participants in exchange for program services provided throughout the year. As a result, these transactions are recognized in accordance with ASC Topic 606. High Hopes determined each contract with the identified customer has a single performance obligation and is recognized over time as service is provided. Payments received in advance are recorded as deferred revenue.

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 2021 and 2020, approximately \$159,000 and \$58,000, respectively, were recognized as donated services which are included contributions in the accompanying statements of activities. 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 12,300 and 13,000 volunteer hours during the years ended June 30, 2021 and 2020, respectively.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

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, 2021 and 2020, cash balances exceeded FDIC limits. As of June 30, 2021 cash exceeded FDIC limits by approximately \$11,000. As of June 30, 2020 cash did not exceed FDIC limits.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances related to program revenue. 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, 2021 and 2020, 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 4). Management believes all contributions and endowment campaign pledges receivable are collectible at June 30, 2021 and 2020 and therefore no reserve for uncollectible amounts was established.

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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

Endowment:

High Hopes donor restricted endowment consists of two funds which were established for the purpose of providing general operational support for 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 6).

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) at 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.

Spending policy statement – In making expenditures from endowment funds, the Board of Trustees 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, 2021 or 2020.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

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, 2021 and 2020 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 12). 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.

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, 2021 and 2020.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

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 2018.

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 High Hopes' programs and supporting activities and net assets released from restriction to support operating expenditures. This 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 functional 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.

Reclassifications:

Certain amounts as of June 30, 2020 have been reclassified to conform to the June 30, 2021 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through October 28, 2021 the date which the financial statements were available for issue.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 – CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue from Contracts with Customers:

The following table disaggregates High Hopes support and revenue for the period ending June 30:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Revenue from contracts with customers: | | |
| Satisfied over time: | | |
| Fees for Service | <u>\$ 262,570</u> | <u>\$ 264,039</u> |
| | 262,570 | 264,039 |
| Satisfied at a point in time: | | |
| Special events | <u>54,569</u> | <u>3,138</u> |
| | 54,569 | 3,138 |
| Other support and revenue: | | |
| Contributions and grants | 733,015 | 846,573 |
| Special events | 486,238 | 303,306 |
| Other operating income | <u>13,990</u> | <u>15,132</u> |
| | <u>1,233,243</u> | <u>1,165,011</u> |
| | <u>\$ 1,550,382</u> | <u>\$ 1,432,188</u> |

Contract Balances:

As of June 30, 2021 High Hopes had \$78,446 of accounts receivable related to contracts with customers. As of June 30, 2021 and 2020, High Hopes has \$56,409 and \$15,545, respectively, of deferred revenues related to contracts with customers.

NOTE 4 – ENDOWMENT CAMPAIGN PLEDGES RECEIVABLE:

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.

Pledges receivable 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 0.87% and 0.66% at June 30, 2021 and 2020, 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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 – ENDOWMENT CAMPAIGN PLEDGES RECEIVABLE (Continued):

Endowment campaign pledges receivable are as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 232,588 | \$ 246,891 |
| Receivable in two to five years | 307,790 | 481,607 |
| Gross pledges receivable | <u>540,378</u> | <u>728,498</u> |
| Less discount to present value | <u>(51,914)</u> | <u>(54,550)</u> |
| | <u>\$ 488,464</u> | <u>\$ 673,948</u> |

NOTE 5 – INVESTMENTS:

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

| | <u>2021</u> | <u>2020</u> |
|---------------------|---------------------|---------------------|
| Equity mutual funds | \$ 5,001,581 | \$ 3,832,804 |
| Bond mutual funds | <u>1,577,086</u> | <u>1,062,086</u> |
| | <u>\$ 6,578,667</u> | <u>\$ 4,894,890</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Interest and dividend income | \$ 116,751 | \$ 113,234 |
| Investment advisory fees | (17,581) | (15,624) |
| Net unrealized gain on investments | 1,298,787 | 65,286 |
| Net realized gain on sale of investments | <u>104,643</u> | <u>24,113</u> |
| | <u>\$ 1,502,600</u> | <u>\$ 187,009</u> |

NOTE 6 – ENDOWMENT FUNDS:

High Hopes donor restricted endowment consists of two funds, which were established for the purpose of providing general operational support for 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. All of High Hopes endowment funds are donor restricted.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 – ENDOWMENT FUNDS (Continued):

The following table summarizes changes in endowment net assets with donor restrictions::

| | |
|-------------------------------------|---------------------|
| Endowment net assets, July 1, 2019 | \$ 4,814,526 |
| Contributions | 256,783 |
| Investment income | 89,529 |
| Net appreciation | 97,092 |
| Endowment net assets, June 30, 2020 | 5,257,930 |
| Contributions | 2,613 |
| Investment income | 1,403,430 |
| Net appreciation | 98,958 |
| Endowment net assets, June 30, 2021 | <u>\$ 6,762,931</u> |

NOTE 7 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Building and improvements | \$ 1,905,240 | \$ 1,944,645 |
| Land and land improvements | 811,776 | 818,325 |
| Software, office equipment and furnishings | 306,570 | 382,749 |
| Truck, tractors and barn equipment | 167,071 | 167,071 |
| Horses | 21,000 | 24,000 |
| Saddles, tack and equipment | 7,047 | 7,047 |
| | <u>3,218,704</u> | <u>3,343,837</u> |
| Accumulated depreciation and amortization | <u>(1,895,276)</u> | <u>(1,929,728)</u> |
| | <u>1,323,428</u> | <u>1,414,109</u> |
| Construction in progress | - | 29,900 |
| Property and equipment, net | <u>\$ 1,323,428</u> | <u>\$ 1,444,009</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 8 – NOTE PAYABLE:

During the years ended June 30, 2021 and 2020, High Hopes was granted loans of \$149,000 and \$152,000, respectively, from Citizens Bank, pursuant to the Paycheck Protection Program (the PPP) under the Consolidated Appropriations Act 2021 (the Act) and Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which were passed into law in December and March 2020. The loans will mature in March 2026 and April 2022, respectively, bear interest at a rate of 1% per annum and are payable monthly commencing in June 2022 and September 2021, respectively.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 – NOTE PAYABLE (Continued):

The loans may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred between the date of funding and August 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In March 2021, High Hopes received forgiveness for the April 2020 PPP loan from the Small Business Administration (SBA) and recognized the extinguishment of the debt within the statement of activities.

Maturities of the note payable for each of the years succeeding June 30, 2021 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2022 | \$ 1,408 |
| 2023 | 38,819 |
| 2024 | 39,209 |
| 2025 | 39,603 |
| 2026 | 29,961 |
| | <u>\$ 149,000</u> |

NOTE 9 – 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 matches employee contributions up to 2% of their salaries. Total matching contributions for the years ended June 30, 2021 and 2020 were \$8,116 and \$7,576, respectively. Participants self-direct the investment of their own account.

NOTE 10 – 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 is as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|-------------------|-------------------|
| Contributions and sponsorships | \$ 486,238 | \$ 303,306 |
| Ticket sales | 54,569 | 3,138 |
| Total revenue | <u>540,807</u> | <u>306,444</u> |
| Less: cost of events | <u>(266,099)</u> | <u>(116,236)</u> |
| Net revenue from special events | <u>\$ 274,708</u> | <u>\$ 190,208</u> |

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS:

High Hopes 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>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Permanent endowment | \$ 3,379,271 | \$ 3,376,658 |
| Cumulative endowment earnings available for appropriation | 3,383,660 | 1,881,272 |
| Donor imposed time restrictions | 230,013 | 260,138 |
| Restricted for capital acquisitions | 154,051 | 154,051 |
| Restricted for specific program | 40,992 | 55,574 |
| Restricted for other specific purposes | 53,545 | 50,756 |
| Restricted for long-term contributions | 60,000 | 138,500 |
| | <u>\$ 7,301,532</u> | <u>\$ 5,916,949</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.

NOTE 12 – 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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued):

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.

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, 2021 and 2020, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

NOTE 13 – 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 reduced by amounts not available for general expenditure within one year as of June 30:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 498,163 | \$ 365,370 |
| Accounts receivable | 78,447 | - |
| Contribution receivable | 134,904 | 237,250 |
| Endowment campaign pledges receivable | 488,464 | 673,948 |
| Investments | 6,578,667 | 4,894,890 |
| Financial assets, at year end | <u>7,778,645</u> | <u>6,171,458</u> |
| Less those unavailable for general expenditure within one year, due to: | | |
| Contributions collectible beyond one year | (60,000) | (138,500) |
| Perpetual restricted net assets | (3,379,271) | (3,376,658) |
| Net assets with donor restrictions | <u>(3,922,261)</u> | <u>(2,540,291)</u> |
| | <u>\$ 417,113</u> | <u>\$ 116,009</u> |

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 14 – RISKS AND UNCERTAINTIES:

In early March 2020, there was a global outbreak of COVID-19 that resulted in an economic downturn, changes in global supply and demand, and the temporary closure of non-essential businesses in many states. In connection with the outbreak, High Hopes continues to monitor its potential impact, which may materially impact High Hopes finances and operations. Due to the uncertainties surrounding COVID-19, the full impact of the outbreak and the scope of any cumulative adverse impact on High Hopes finances and operations cannot be fully determined at this time and largely depends on the ongoing severity, duration and spread of COVID-19.