

HIGH HOPES THERAPEUTIC RIDING, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

HIGH HOPES THERAPEUTIC RIDING, INC.

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Independent Auditor's Report

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

**Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 High Hopes Therapeutic Riding, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 High Hopes Therapeutic Riding, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 High Hopes Therapeutic Riding Inc.'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 High Hopes Therapeutic Riding Inc.'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.

*Mahoney Sabol & Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
November 7, 2022

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 361,160	\$ 498,163
Accounts receivable	86,687	78,447
Contributions receivable	80,000	134,904
Endowment campaign pledges receivable, net	309,932	488,464
Investments	5,958,409	6,578,667
Prepaid expenses	2,664	3,620
Property and equipment, net	1,337,217	1,323,428
	<u>\$ 8,136,069</u>	<u>\$ 9,105,693</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 90,411	\$ 48,561
Deferred revenues	50,595	56,409
Note payable	14,810	149,000
TOTAL LIABILITIES	<u>155,816</u>	<u>253,970</u>
NET ASSETS:		
Without donor restrictions	1,684,177	1,550,191
With donor restrictions	6,296,076	7,301,532
TOTAL NET ASSETS	<u>7,980,253</u>	<u>8,851,723</u>
	<u>\$ 8,136,069</u>	<u>\$ 9,105,693</u>

See notes to financial statements.

# HIGH HOPES THERAPEUTIC RIDING, INC.

## STATEMENTS OF ACTIVITIES

### YEARS ENDED JUNE 30, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and revenues:				
Support:				
Contributions and grants	\$ 710,198	\$ 224,043	\$ 609,806	\$ 92,860
Contributed nonfinancial assets	55,142	-	30,349	-
Special events:				
Revenue	326,761	87,533	310,646	101,610
Contributed nonfinancial assets	101,857	-	128,551	-
Revenues:				
Fees for services	291,249	-	262,570	-
Other operating income	7,519	-	13,990	-
Net assets released from restrictions	281,750	(281,750)	312,275	(312,275)
Total support and revenues	1,774,476	29,826	1,668,187	(117,805)
Expenses:				
Program	1,285,298	-	1,215,435	-
General and administrative	188,062	-	172,375	-
Fundraising	316,058	-	357,539	-
Total expenses	1,789,418	-	1,745,349	-
Change in net assets from operations	(14,942)	29,826	(77,162)	(117,805)
Other income (loss):				
Investment income (loss)	172	(1,035,282)	212	1,502,388
Loss on disposal of property and equipment	(244)	-	(32,941)	-
Note payable forgiveness	149,000	-	152,000	-
Total other income (loss)	148,928	(1,035,282)	119,271	1,502,388
Change in net assets	133,986	(1,005,456)	42,109	1,384,583
Net Assets:				
Beginning of year	1,550,191	7,301,532	1,508,082	5,916,949
End of year	\$ 1,684,177	\$ 6,296,076	\$ 1,550,191	\$ 7,301,532
				\$ 8,851,723

See notes to financial statements.

## STATEMENTS OF FUNCTIONAL EXPENSES

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (871,470)	\$ 1,426,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	90,519	98,624
Loss on disposal of property and equipment	244	32,941
Net unrealized (gain) loss on investments	1,168,904	(1,298,787)
Change in contributions receivable discount	(26,446)	(2,636)
Contributions received for endowments	(48,543)	(2,613)
Note payable forgiveness	(149,000)	(152,000)
(Increase) decrease in operating assets:		
Accounts receivable	(8,240)	(78,447)
Contributions receivable	54,904	102,346
Prepaid expenses	956	1,623
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	41,850	20,427
Deferred revenues	(5,814)	40,864
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>247,864</u>	<u>189,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	20,031	369,947
Purchase of investments	(568,677)	(754,937)
Acquisition of property and equipment	(85,339)	(10,984)
NET CASH USED IN INVESTING ACTIVITIES	<u>(633,985)</u>	<u>(395,974)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on note payable	-	149,000
Payments on note payable	(4,403)	-
Proceeds from restricted contributions	253,521	190,733
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>249,118</u>	<u>339,733</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(137,003)	132,793
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>498,163</u>	<u>365,370</u>
End of year	<u>\$ 361,160</u>	<u>\$ 498,163</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment financed through note payable	\$ 19,213	\$ -

See notes to financial statements.



HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 12).

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:

High Hopes recognizes revenue in accordance with Financial Accounting Standard's Board (FASB) Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (the new revenue standard).

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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

Recognition of Support and Revenue (continued):

High Hopes derives and recognizes revenue 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, 2022 and 2021.

*Special Events* – High Hopes hosts fundraising special events throughout the year whereby High Hopes receives revenue through contributions, sponsorships and ticket sales. Management has determined that sponsorships are voluntary, nonreciprocal transfers; therefore sponsorships are recognized when received or committed. The exchange transaction portion of special event ticket sales contain only one performance obligation and revenue is recognized when the performance obligation is satisfied (upon event taking place). Special events contributions and sponsorships are not within the scope of the new revenue standard. Revenues received for future events are deferred until the date of the event.

*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 the new revenue standard. 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 Nonfinancial Assets* – Contributions of goods and services are recorded as contributions at their fair values on the date of donation.

Contributed services are recognized as contributions if they meet the criteria established by US GAAP, as follows, 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. A number of volunteers have donated significant amounts of time to High Hopes program services and to its fundraising campaigns, however the services provided by these volunteers do not meet the criteria established by US GAAP, and accordingly, no amounts have been recognized in the statements of activities. These volunteers donated approximately 12,800 and 12,300 volunteer hours during the years ended June 30, 2022 and 2021, respectively.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, cash balances exceeded FDIC limits. As of June 30, 2022, cash did not exceed FDIC limits. As of June 30, 2021, cash exceeded FDIC limits by approximately \$11,000.

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, 2022 and 2021, 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, 2022 and 2021 and therefore no reserve for uncollectible amounts was established.

Investments:

Investments are measured at fair value in the statements of financial position. Investment income or expense, including gains and losses (both realized and unrealized) on investments and interest and dividends, are included in the statements of activities as increases or decreases in net assets without donor restriction unless donor or relevant law directs otherwise. Any losses that are donor restricted for an endowment fund should first reduce net assets with donor restriction; any remaining losses should reduce net assets without donor restriction. Subsequent gains should be recorded as increases in net assets without donor restriction until the total amount of gains offsets the amount of the losses previously recorded as decreases in net assets without donor restriction.

Donated investments are reflected as contributions at their market values at date of receipt.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 of Trustees (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, 2022 or 2021.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. High Hopes, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts (see Note 13). 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 statements 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 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, 2022 and 2021.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 federal information returns generally remain open for examination by the tax authorities for the prior three years.

Marketing and Advertising:

Marketing and advertising costs are expensed as incurred. Such costs totaled \$146,680 and \$149,895 for the years ended June 30, 2022 and 2021, respectively, of which \$87,085 and \$98,915, respectively, are included in special events and \$59,595 and \$50,980, respectively, are included in professional fees in the accompanying statements of functional expenses.

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 or loss, loss on disposals of property and equipment and note payable forgiveness.

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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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

Adoption of New Accounting Pronouncements:

During 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard improves transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is applied retrospectively and is effective for years beginning after June 15, 2021. High Hopes adopted ASU 2020-07 effective July 1, 2021. There was no material impact to the financial statements as a result of this adoption.

Reclassifications:

Certain amounts as of June 30, 2021 have been reclassified to conform to the June 30, 2022 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through November 7, 2022 the date which the financial statements were available for issue

NOTE 3 – CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue from Contracts with Customers:

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

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers:		
Satisfied over time:		
Fees for service	\$ 291,249	\$ 262,570
Satisfied at a point in time:		
Special events	59,652	54,569
Other support and revenue:		
Contributions and grants	1,445,882	1,219,253
Other operating income	7,519	13,990
	<u>1,453,401</u>	<u>1,233,243</u>
	<u>\$ 1,804,302</u>	<u>\$ 1,550,382</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 – CONTRACTS WITH CUSTOMERS (Continued):

Contract Balances:

Accounts receivable and deferred revenue balances from contracts with customers were as follows as of June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 86,687	\$ 78,447	\$ -
Deferred revenue	\$ 50,595	\$ 56,409	\$ 15,545

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 3.01% and 0.87% at June 30, 2022 and 2021, 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.

Endowment campaign pledges receivable are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 181,900	\$ 232,588
Receivable in two to five years	153,500	307,790
Gross pledges receivable	335,400	540,378
Less discount to present value	(25,468)	(51,914)
	<u>\$ 309,932</u>	<u>\$ 488,464</u>



HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 – INVESTMENTS:

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

	<u>2022</u>	<u>2021</u>
Equity mutual funds	\$ 4,339,688	\$ 5,001,581
Bond mutual funds	<u>1,618,721</u>	<u>1,577,086</u>
	<u>\$ 5,958,409</u>	<u>\$ 6,578,667</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 154,113	\$ 116,751
Investment advisory fees	(20,031)	(17,581)
Net unrealized gain (loss) on investments	(1,168,904)	1,298,787
Net realized gain (loss) on sale of investments	<u>(288)</u>	<u>104,643</u>
	<u>\$ (1,035,110)</u>	<u>\$ 1,502,600</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.

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

Endowment net assets, July 1, 2020	\$ 5,257,930
Contributions	2,613
Investment income	1,403,430
Net appreciation	<u>98,958</u>
Endowment net assets, June 30, 2021	6,762,931
Contributions	48,543
Investment loss	(1,169,192)
Net appreciation	<u>133,910</u>
Endowment net assets, June 30, 2022	<u>\$ 5,776,192</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 2,008,792	\$ 1,905,240
Land and land improvements	811,776	811,776
Software, office equipment and furnishings	306,570	306,570
Truck, tractors and barn equipment	167,071	167,071
Horses	19,000	21,000
Saddles, tack and equipment	7,047	7,047
	<u>3,320,256</u>	<u>3,218,704</u>
Accumulated depreciation and amortization	<u>(1,983,039)</u>	<u>(1,895,276)</u>
Property and equipment, net	<u>\$ 1,337,217</u>	<u>\$ 1,323,428</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:

High Hopes entered into an agreement with Eversource Energy (Eversource), effective August 2021, to upgrade and replace interior and exterior lighting with LED fixtures. The total project cost was \$19,213 and was financed by an interest-free loan from Eversource. The loan repayment period is over four years with monthly installment payments of approximately \$400. At June 30, 2022, the balance outstanding totaled \$14,810.

During the year ended June 30, 2021, High Hopes was granted a loan of \$149,000 from Citizens Bank, pursuant to the Paycheck Protection Program (the PPP) under the Consolidated Appropriations Act 2021 (the Act) which was passed into law in December 2020. In September 2021, High Hopes received forgiveness for this loan from the Small Business Administration (the SBA) and recognized the extinguishment of the debt within the statements of activities during the year ended June 30, 2022.

In March 2021, High Hopes received forgiveness from the SBA for a loan of \$152,000 from Citizens Bank, pursuant to the PPP under Division A Title I of the Coronavirus Aid Relief and Economic Security Act which was passed into law in March 2020. High Hopes recognized the extinguishment of the debt within the statements of activities during the year ended June 30, 2021.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 – NOTE PAYABLE (Continued):

Maturities of the note payable for each of the years succeeding June 30, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 4,803
2024	4,803
2025	4,803
2026	401
	<u>\$ 14,810</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. High Hopes matches employee contributions up to 2% of their salaries. Total matching contributions for the years ended June 30, 2022 and 2021 were \$8,826 and \$8,116, 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>2022</u>	<u>2021</u>
Contributions and sponsorships	\$ 456,499	\$ 486,238
Ticket sales	59,652	54,569
Total revenue	<u>516,151</u>	<u>540,807</u>
Less: cost of events	<u>(248,538)</u>	<u>(266,099)</u>
Net revenue from special events	<u>\$ 267,613</u>	<u>\$ 274,708</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS:

High Hopes was provided discounts on certain professional services which are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

High Hopes received various goods utilized for special events and programs which are valued on the basis of estimated wholesale values that would be received for selling similar products in the United States.

Contributed nonfinancial assets recognized within the statements of activities are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
June event:		
Marketing and advertising	\$ 45,063	49,265
Production and design	18,740	23,150
Other services	2,441	1,767
Goods	-	2,000
	<u>66,244</u>	<u>76,182</u>
Holiday market:		
Marketing and advertising	33,825	47,475
Other services	1,788	399
Goods	-	4,495
	<u>35,613</u>	<u>52,369</u>
Operations:		
Marketing and advertising	8,075	10,335
Consulting services	20,000	-
Design services	23,570	16,163
Other services	2,497	1,030
Goods	1,000	2,821
	<u>55,142</u>	<u>30,349</u>
	<u>\$ 156,999</u>	<u>\$ 158,900</u>

All contributions of nonfinancial assets were utilized during the years ending June 30, 2022 and 2021, and therefore are classified as without donor restrictions.

Contributed nonfinancial assets have been allocated across programs and other support services in accordance with High Hopes functional allocation of expenses policy (see Note 2).

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 12 – 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>2022</u>	<u>2021</u>
Permanent endowment	\$ 3,427,814	\$ 3,379,271
Cumulative endowment earnings available for appropriation	2,348,378	3,383,660
Donor imposed time restrictions	169,028	230,013
Restricted for capital acquisitions	153,263	154,051
Restricted for specific program	126,551	40,992
Restricted for other specific purposes	61,042	53,545
Restricted for long-term contributions	10,000	60,000
	<u>\$ 6,296,076</u>	<u>\$ 7,301,532</u>

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

NOTE 13 – FAIR VALUE MEASUREMENTS:

High Hopes follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, 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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

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.

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, 2022 and 2021, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

NOTE 14 – 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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 14 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued):

The following table reflects High Hopes financial assets reduced by amounts not available for general expenditure within one year as of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 361,160	\$ 498,163
Accounts receivable	86,687	78,447
Contribution receivable	80,000	134,904
Endowment campaign pledges receivable, net	309,932	488,464
Investments	5,958,409	6,578,667
Financial assets, at year end	<u>6,796,188</u>	<u>7,778,645</u>
Less those unavailable for general expenditure within one year, due to:		
Contributions collectible beyond one year	(10,000)	(60,000)
Prepetual restricted net assets	(3,427,814)	(3,379,271)
Net assets with donor restrictions	<u>(2,858,262)</u>	<u>(3,862,261)</u>
	<u>\$ 500,112</u>	<u>\$ 477,113</u>

NOTE 15 – 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.

High Hopes invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.