

**HIGH HOPES THERAPEUTIC
RIDING, INC.**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2023**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT

To the 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. ("High Hopes"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of High Hopes as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of High Hopes and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 of events, considered in the aggregate, that raise substantial doubt about High Hopes's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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'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'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.

Report on Summarized Comparative Information

The financial statements of High Hopes as of June 30, 2022 were audited by other auditors whose report dated November 7, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
November 15, 2023

HIGH HOPES THERAPEUTIC RIDING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Summarized Financial Information for 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 167,598	\$ 361,160
Accounts receivable	36,005	86,687
Contributions receivable	84,730	80,000
Pledges receivable, current portion	209,000	181,900
Prepaid expenses	<u>2,664</u>	<u>2,664</u>
Total current assets	499,997	712,411
 PROPERTY AND EQUIPMENT, net	 1,375,998	 1,337,217
 OTHER ASSETS		
Pledges receivable less current portion, net	36,021	128,032
Investments	280,254	182,217
Investments - Endowment	<u>6,192,995</u>	<u>5,776,192</u>
Total other assets	<u>6,509,270</u>	<u>6,086,441</u>
Total assets	<u><u>\$ 8,385,265</u></u>	<u><u>\$ 8,136,069</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 4,803	\$ 4,803
Accounts payable and accrued expenses	78,599	90,411
Deferred revenue	<u>46,117</u>	<u>50,595</u>
Total current liabilities	129,519	145,809
 LONG-TERM DEBT, less current maturities	 <u>5,204</u>	 <u>10,007</u>
Total liabilities	<u>134,723</u>	<u>155,816</u>
 NET ASSETS		
Without donor restrictions	1,427,476	1,684,177
With donor restrictions	<u>6,823,066</u>	<u>6,296,076</u>
Total net assets	<u>8,250,542</u>	<u>7,980,253</u>
Total liabilities and net assets	<u><u>\$ 8,385,265</u></u>	<u><u>\$ 8,136,069</u></u>

The accompanying notes are an integral part of these financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 986,113	\$ 313,978	\$ 1,300,091	\$ 1,315,329
Program income	301,799	-	301,799	291,249
Contributed nonfinancial assets	117,081	-	117,081	156,999
Other income	15,891	-	15,891	7,519
Special event revenue	61,425	-	61,425	59,652
Less: costs of direct benefits to donors	80,051	-	80,051	52,582
	(18,626)	-	(18,626)	7,070
Net assets released from restrictions:				
Satisfaction of purpose restriction	446,293	(446,293)	-	-
Total operating support and revenue	1,848,551	(132,315)	1,716,236	1,778,166
EXPENSES				
Program services	1,540,436	-	1,540,436	1,285,298
Management and general	164,704	-	164,704	188,062
Fundraising	425,091	-	425,091	289,922
Total expenses	2,130,231	-	2,130,231	1,763,282
Change in net assets from operating activities	(281,680)	(132,315)	(413,995)	14,884
NON-OPERATING ACTIVITIES				
Paycheck Protection Program loan forgiveness	-	-	-	149,000
Investment income	24,979	659,305	684,284	(1,035,110)
Loss on disposal of property and equipment	-	-	-	(244)
Change in net assets from non-operating activities	24,979	659,305	684,284	(886,354)
Change in net assets	(256,701)	526,990	270,289	(871,470)
NET ASSETS, beginning of year	1,684,177	6,296,076	7,980,253	8,851,723
NET ASSETS, end of year	<u>\$ 1,427,476</u>	<u>\$ 6,823,066</u>	<u>\$ 8,250,542</u>	<u>\$ 7,980,253</u>

The accompanying notes are an integral part of these financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 722,667	\$ 99,361	\$ 215,233	\$ 1,037,261	\$ 767,439
Payroll taxes and benefits	180,191	25,798	29,427	235,416	198,017
Total payroll related costs	902,858	125,159	244,660	1,272,677	965,456
Special events	146,196	-	46,877	193,073	195,956
Office expenses	90,385	5,419	64,595	160,399	109,714
Equine expenses	152,504	-	-	152,504	142,951
Professional fees	37,791	25,969	58,194	121,954	113,332
Facilities	70,687	3,125	3,132	76,944	71,227
Program expenses	30,286	-	-	30,286	25,901
Insurance	24,446	3,537	781	28,764	26,031
Bad debt expense	3,255	-	1,800	5,055	22,195
Total expenses before depreciation	1,458,408	163,209	420,039	2,041,656	1,672,763
Depreciation and amortization	82,028	1,495	5,052	88,575	90,519
Total expenses	<u>\$ 1,540,436</u>	<u>\$ 164,704</u>	<u>\$ 425,091</u>	<u>\$ 2,130,231</u>	<u>\$ 1,763,282</u>

The accompanying notes are an integral part of these financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 270,289	\$ (871,470)
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities:		
Paycheck Protection Program loan forgiveness	-	(149,000)
Net (gain) loss on investments	(569,332)	1,168,904
Loss on disposal of property and equipment	-	244
Depreciation and amortization	88,575	90,519
Change in pledge receivable discount	(8,489)	(26,446)
Contributions received for pledge receivables	-	(48,543)
Changes in operating assets and liabilities:		
Accounts receivable	50,682	(8,240)
Contributions receivable	(4,730)	54,904
Prepaid expenses	-	956
Accounts payable and accrued expenses	(11,812)	41,850
Deferred revenue	(4,478)	(5,814)
Net cash (used in) provided by operating activities	<u>(189,295)</u>	<u>247,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(127,356)	(85,339)
Proceeds from sales of investments	293,609	20,031
Purchases of investments	(239,117)	(568,677)
Net cash used in investing activities	<u>(72,864)</u>	<u>(633,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of pledges receivable	73,400	253,521
Repayments of long-term debt	(4,803)	(4,403)
Net cash provided by financing activities	<u>68,597</u>	<u>249,118</u>
NET DECREASE IN CASH	(193,562)	(137,003)
CASH, beginning of year	<u>361,160</u>	<u>498,163</u>
CASH, end of year	<u><u>\$ 167,598</u></u>	<u><u>\$ 361,160</u></u>
 Non cash investing and financing activities:		
Property and equipment acquired through note payable	\$ -	\$ 19,213
Long-term debt repaid through loan forgiveness	-	149,000

The accompanying notes are an integral part of these financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

High Hopes Therapeutic Riding, Inc. (“High Hopes”) is a nonprofit charitable organization in Old Lyme, Connecticut whose mission is to foster a vibrant community where horse and human interactions improve lives. High Hopes is committed to providing efficient, safe, and 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with High Hopes’s audited financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived. Certain reclassifications have been made to the 2022 amounts in order to conform to the 2023 presentation.

OPERATING MEASURE

High Hopes has defined the change in net assets from operating activities to include all support, revenue, and expenses that are an integral part of High Hopes’s programs and supporting activities and net assets released from restriction to support operating expenses. This measure of operations excludes investment income or loss, gain or loss on disposals of property and equipment, and note payable forgiveness.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to High Hopes, the accounts of High Hopes are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions consist of available resources other than donor restricted contributions. Included in net assets without donor restrictions are grants, which may be earmarked for specific purposes.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

NET ASSET CATEGORIES *(Continued)*

With Donor Restrictions

Net assets with donor restrictions represent contributions and investment earnings thereon that are restricted by the donor as to purpose, time of expenditure, or with the restriction that the principal be invested in perpetuity, and that only the earnings thereon be used for support of High Hopes's operations.

REVENUE AND REVENUE RECOGNITION

Contributions and Grants

Contributions and grants are defined as voluntary, non-reciprocal transfers.

High Hopes recognizes contributions and grants when, cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. High Hopes has no conditional contributions for the year ended June 30, 2023.

High Hopes recognizes contributions and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. High Hopes's policy is to present net assets with donor restrictions received during the current period whose restrictions are also met during the current period with net assets without donor restrictions.

Contributed Nonfinancial Assets

Contributed nonfinancial assets (including the usage of assets such as rent) are recognized at their estimated fair market value. High Hopes reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; High Hopes reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service. High Hopes recognized \$117,081 of donated program and special event supplies for the year ended June 30, 2023.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE AND REVENUE RECOGNITION *(Continued)*

Donated Services

High Hopes recognizes contributions of services received if they create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to High Hopes's program and fundraising campaign. These volunteers donated approximately 12,679 volunteer hours during the year ended June 30, 2023. No donated services have been recognized in the accompanying financial statements for the year ended June 30, 2023.

Program Income

High Hopes recognizes revenue from participant fees during the year in which the related services are provided to participants. The performance obligation of delivering therapeutic and educational services is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the year. At June 30, 2023, High Hopes had \$46,117 of prepaid fees and billings for the next fiscal year. This amount is included in deferred revenue.

Special Events

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements of High Hopes report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort studies as well as utilities, repairs, insurance, and supplies, which are allocated on a square footage basis.

MARKETING AND ADVERTISING

Marketing and advertising costs are expensed as incurred. Marketing and advertising costs for the year ended June 30, 2023 were \$134,112, of which \$58,028 is included in special events, \$13,099 is included in office expenses, and \$62,985 is included in professional fees in the accompanying statement of functional expenses.

CASH EQUIVALENTS

High Hopes defines cash equivalents as liquid investments with an original maturity of three months or less, excluding cash investments held in High Hopes's investments. As of June 30, 2023, High Hopes had no cash equivalents.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management asserts that all accounts receivable are fully collectable, therefore no allowance for doubtful accounts has been established.

CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and 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 pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. When necessary, an allowance for pledges receivable is recorded based on management's evaluation of potential uncollectable unconditional promises at year-end (*see Note 5*). Management believes all contributions and pledges receivable are collectable, therefore no reserve for uncollectable amounts has been established.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and improvements are recorded at cost, if purchased, or at market or assessed value on the date of gift or bequest. Any fixed assets with a value of \$2,500 or greater and with a useful life of five years or greater are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets. Repairs and maintenance are expensed as incurred.

INVESTMENTS

Investments in marketable equity securities with readily determined fair values and investments in debt securities are carried at fair value, as further discussed in *Note 7*. Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the income and gains are recognized.

INCOME TAXES

The Internal Revenue Service has determined that High Hopes is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. High Hopes did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America. The federal tax return of High Hopes for the year ended June 30, 2023 is subject to examination by the Internal Revenue Service, generally for three years after it has been filed.

SUBSEQUENT EVENTS

High Hopes has performed an evaluation of subsequent events through November 15, 2023, which is the date the financial statements were available to be issued. There are no subsequent events identified that require disclosure.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

High Hopes's financial instruments that are subject to concentrations of credit risk consist primarily of cash, accounts receivable, contributions receivable, pledges receivable, and investments.

- Cash – High Hopes places its cash with high credit-quality financial and brokerage institutions. At June 30, 2023, High Hopes's deposits were covered by federal depository insurance.
- Accounts receivable – Accounts receivable consist primarily of amounts due for program services. Management has determined there is no credit risk.
- Contributions receivable – Contributions receivable represent unconditional promises to give. Management evaluates its accounts for collectability on an on-going basis. Management has not established an allowance for potential credit losses and such losses have been within management's expectations.
- Pledges receivable – Pledges receivable consist of amounts due as part of High Hopes' campaign. Management evaluates its accounts for collectability on an on-going basis. Management has not established an allowance for potential credit losses and such losses have been within management's expectations.
- Investments – Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risk. However, all marketable securities are subject to fluctuations in market value.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects High Hopes's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Trustees approved the use. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets, at year-end	
Cash	\$ 167,598
Accounts receivable	36,005
Contributions receivable	84,730
Pledges receivable, net	245,021
Investments	280,254
Investments - Endowment	<u>6,192,995</u>
	7,006,603
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>6,823,066</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 183,537</u>

In accordance with High Hopes investment policy, High Hopes may utilize up to 4% of their investment market value as of December 31 of the preceding fiscal year. The approximate spending distribution allowable for the year ended June 30, 2024 will be \$240,000.

NOTE 4 – CONTRACT BALANCES

Accounts receivable and deferred revenue balances were as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Program income receivables	<u>\$ 36,005</u>	<u>\$ 86,687</u>
Deferred program income	<u>\$ 46,117</u>	<u>\$ 50,595</u>

NOTE 5 – PLEDGES RECEIVABLE

The Board of Trustees 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.

Endowment campaign pledges receivable are reported at fair value using the present value of estimated future cash flows for pledges that are receivable beyond one fiscal year. Pledges have been discounted using a rate of approximately 3.01%.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – PLEDGES RECEIVABLE (*Continued*)

Pledges receivable are presented at fair value as of June 30, 2023 as follows:

Receivables due in less than one year	<u>\$ 209,000</u>
Receivables due in less than five but more than one year	\$ 53,000
Less unamortized discount for noncurrent receivables	<u>16,979</u>
Net pledges receivable, less current portion	<u>\$ 36,021</u>

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2023 is as follows:

Land and land improvements	\$ 838,825
Buildings and improvements	2,062,451
Software, office equipment, and furnishings	310,679
Trucks, tractors, and barn equipment	175,009
Horses	31,380
Saddles, tack and, equipment	<u>7,047</u>
	3,425,391
Less: accumulated depreciation	<u>2,049,393</u>
	<u>\$ 1,375,998</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.

Depreciation expense for the year ended June 30, 2023 was \$88,575.

NOTE 7 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives Highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described below:

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 method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – 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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual Funds (including equity, fixed income funds, and money markets)

Mutual funds are valued at the quoted price of shares reported by the fund at year-end.

Common Stock

Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at June 30, 2023.

Investments have been presented in the statement of financial position as follows:

Investments	\$ 280,254
Investments - Endowment	6,192,995
	<u>\$ 6,473,249</u>

The following is a summary of the source of fair value measurements for High Hopes's investments which are measured on a recurring basis as of June 30, 2023.

<u>Description</u>	<u>Total</u>	<u>Assets (Level 1)</u>
Equity mutual funds	\$ 4,940,177	\$ 4,940,177
Fixed income mutual funds	1,526,629	1,526,629
Common stock	5,233	5,233
Money market funds	1,210	1,210
	<u>\$ 6,473,249</u>	<u>\$ 6,473,249</u>

Investment income is comprised of the following:

Interest and dividend income	\$ 114,952
Realized gains	16,722
Unrealized gains	552,610
	<u>\$ 684,284</u>

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 the balance outstanding was \$10,007.

Principal maturities of the note payable in each of the succeeding years are as follows:

Year ending June 30,	
2024	\$ 4,803
2025	4,803
2026	401
	<u>\$ 10,007</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions, gifts, and income from investments that are restricted based on time or purposes specified by the donor. At June 30, 2023, net assets with donor restrictions consist of the following:

Endowment-permanently restricted	\$ 3,427,814
Endowment-temporarily restricted	2,765,181
Programs	281,833
Capital Acquisitions	153,263
Equine Care	80,000
Technology Fund	74,000
Miscellaneous	30,975
Long-term contributions receivable	10,000
	<u>\$ 6,823,066</u>

Net assets were released from restriction by satisfying the following purposes:

Endowment	\$ 242,502
Programs	175,475
Equine Care	15,509
Miscellaneous	12,807
	<u>\$ 446,293</u>

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – ENDOWMENT

High Hopes's endowment consist of two funds, which were established for the purpose of providing general operational support for High Hopes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The spending policy and philosophy contained in the Investment Policy, including the long-term investment management policies and procedures constructed based on the by-laws, were designed to function as integrated process and are administered to reflect the following factors, as described in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), for prudent stewards of charitable assets, including

1. The duration and preservation of a fund
2. The purpose of the organization and the donor designations thereto
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return of the charitable assets
6. Other resources of the organization
7. The investment policies of the organization

Changes in Endowment Net Assets for the year ended June 30, 2023 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 5,776,192
Investment return	
Investment income, net	110,729
Net appreciation (realized and unrealized)	<u>548,576</u>
Total investment return	<u>659,305</u>
Contributions	-
Appropriation of assets for expenditures	<u>(242,502)</u>
Endowment net assets, end of year	<u>\$ 6,192,995</u>

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – ENDOWMENT *(Continued)*

Return Objectives and Risk Parameter

High Hopes has adopted investment and spending policies for endowment assets that attempt to maximize total return; preserve principal; mitigate risk through diversification; support controlled annual withdrawals to balance the operating budget; fund capital projects; and to comply with donor restrictions, if applicable. 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 and How the Investment Objectives Relate to the Spending Policy

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, excepted total return on its investments, price level trends, and general economic conditions. High Hopes has a spending policy of appropriating for distribution each year approximately 4.0% of the balance of the endowment fund as of December 31 of the preceding fiscal year. This is consistent with High Hopes's objective to provide additional, real growth through new gifts and investment returns.

NOTE 11 – 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 generative above the value of the basic ticket is considered a contributions. Activity is as follows for the year ended June 30, 2023:

Contributions and sponsorships	\$ 354,274
Contributed nonfinancial assets	82,407
Ticket sales	<u>61,425</u>
Total revenue	498,106
Less: costs of direct benefits to donors	(80,051)
Less: other costs of events	<u>(193,073)</u>
Total expenses	<u>(273,124)</u>
Net revenue from special events	<u><u>\$ 224,982</u></u>

NOTE 12 – 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.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – CONTRIBUTED NONFINANCIAL ASSETS (*Continued*)

Contributed nonfinancial assets recognized within the statement of activities are as follows for the year ended June 30, 2023:

June benefit event:	
Marketing and advertsing	\$ 31,740
Production and design	16,980
Other goods and services	<u>14,074</u>
Total June benefit event	62,794
Holiday market:	
Marketing and advertsing	18,513
Other goods and services	<u>1,100</u>
Total holiday market	19,613
Operations	
Marketing and advertsing	13,791
Design services	15,899
Property and equipment	2,000
Other goods and services	<u>2,984</u>
Total operations	<u>34,674</u>
Total contributed nonfinancial assets	<u><u>117,081</u></u>

All contributions of nonfinancial assets were utilized during the year ending June 30, 2023, 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.

HIGH HOPES THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 – DISAGGREGATION OF REVENUE

The following table disaggregates High Hopes's support and revenue for the year ended June 30, 2023:

Revenue from contracts with customers	
Satisfied over time	
Program income	\$ 301,799
Satisfied at a point in time	
Special events, net	<u>(18,626)</u>
Total revenue from contracts with customers	283,173
Other support and revenue	
Contributions and grants	1,300,091
Contributed nonfinancial assets	117,081
Other income	15,891
Investment income	<u>684,284</u>
Total other support and revenue	<u>2,117,347</u>
Total support and revenue	<u><u>\$ 2,400,520</u></u>

NOTE 14 – 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 year ended June 30, 2023 was \$8,157. Participants self-direct the investment of their own account.