

HIGH HOPES THERAPEUTIC RIDING, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

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 statement of financial position as of June 30, 2024, 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 2024 financial statements referred to above present fairly, in all material respects, the financial position of High Hopes Therapeutic Riding, Inc. as of June 30, 2024, 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of High Hopes Therapeutic Riding, Inc. as of June 30, 2023 were audited by other auditors whose report dated November 15, 2023 expressed an unmodified opinion on those statements.

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 25, 2024

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 120,899	\$ 167,598
Accounts receivable, net	61,693	36,005
Pledge receivables, net	139,090	329,751
Investments	6,518,841	6,473,249
Prepaid expenses	8,400	2,664
Property and equipment, net	<u>1,442,400</u>	<u>1,375,998</u>
	<u>\$ 8,291,323</u>	<u>\$ 8,385,265</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 102,765	\$ 78,599
Deferred revenues	30,117	46,117
Note payable	<u>5,204</u>	<u>10,007</u>
TOTAL LIABILITIES	138,086	134,723
NET ASSETS:		
Without donor restrictions	2,329,975	1,427,476
With donor restrictions	<u>5,823,262</u>	<u>6,823,066</u>
TOTAL NET ASSETS	<u>8,153,237</u>	<u>8,250,542</u>
	<u>\$ 8,291,323</u>	<u>\$ 8,385,265</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Support:						
Contributions and grants	\$ 655,293	\$ 90,851	\$ 746,144	\$ 631,869	\$ 313,978	\$ 945,847
Contributed nonfinancial assets	46,652	-	46,652	34,674	-	34,674
Special events:						
Revenue	463,512	-	463,512	415,669	-	415,669
Contributed nonfinancial assets	38,349	-	38,349	82,407	-	82,407
Revenues:						
Fees for services	219,072	-	219,072	301,799	-	301,799
Other operating income	14,196	-	14,196	15,891	-	15,891
Net assets released from restrictions	672,510	(672,510)	-	446,293	(446,293)	-
Total support and revenues	<u>2,109,584</u>	<u>(581,659)</u>	<u>1,527,925</u>	<u>1,928,602</u>	<u>(132,315)</u>	<u>1,796,287</u>
Expenses:						
Program	1,564,505	-	1,564,505	1,617,232	-	1,617,232
General and administrative	188,211	-	188,211	164,704	-	164,704
Fundraising	475,184	-	475,184	423,291	-	423,291
Total expenses	<u>2,227,900</u>	<u>-</u>	<u>2,227,900</u>	<u>2,205,227</u>	<u>-</u>	<u>2,205,227</u>
Change in net assets from operations	(118,316)	(581,659)	(699,975)	(276,625)	(132,315)	(408,940)
Other income (expense):						
Bad debt expense	(36,109)	(200,000)	(236,109)	(5,055)	-	(5,055)
Credit loss expense	(6,838)	-	(6,838)	-	-	-
Investment income, net	86,700	758,917	845,617	24,979	659,305	684,284
Total other income	<u>43,753</u>	<u>558,917</u>	<u>602,670</u>	<u>19,924</u>	<u>659,305</u>	<u>679,229</u>
Change in net assets	(74,563)	(22,742)	(97,305)	(256,701)	526,990	270,289
Net Assets:						
Beginning of year	1,427,476	6,823,066	8,250,542	1,684,177	6,296,076	7,980,253
Reclassification (see Note 3)	977,062	(977,062)	-	-	-	-
End of year	<u>\$ 2,329,975</u>	<u>\$ 5,823,262</u>	<u>\$ 8,153,237</u>	<u>\$ 1,427,476</u>	<u>\$ 6,823,066</u>	<u>\$ 8,250,542</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023				
	Program	General and Administrative	Fund- raising	Total	Program	General and Administrative	Fund- raising	Total
Personnel	\$ 885,472	\$ 142,228	\$ 262,796	\$ 1,290,496	\$ 902,858	\$ 125,159	\$ 244,660	\$ 1,272,677
Special events	139,245	-	66,412	205,657	226,247	-	46,877	273,124
Office expenses	97,610	7,540	73,798	178,948	90,385	5,419	64,595	160,399
Professional fees	69,856	28,863	66,237	164,956	37,791	25,969	58,194	121,954
Equine expenses	155,811	-	-	155,811	152,504	-	-	152,504
Facilities	90,262	3,678	3,678	97,618	70,687	3,125	3,132	76,944
Insurance	25,097	2,598	833	28,528	24,446	3,537	781	28,764
Program expenses	23,841	-	-	23,841	30,286	-	-	30,286
Total expenses before depreciation & amortization	1,487,194	184,907	473,754	2,145,855	1,535,204	163,209	418,239	2,116,652
Depreciation & amortization	77,311	3,304	1,430	82,045	82,028	1,495	5,052	88,575
Total expenses	<u>\$ 1,564,505</u>	<u>\$ 188,211</u>	<u>\$ 475,184</u>	<u>\$ 2,227,900</u>	<u>\$ 1,617,232</u>	<u>\$ 164,704</u>	<u>\$ 423,291</u>	<u>\$ 2,205,227</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (97,305)	\$ 270,289
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	82,045	88,575
Net realized and unrealized (gain) on investments	(708,478)	(569,332)
Change in pledge receivables discount	(16,979)	(8,489)
Change in allowance for credit losses	6,838	-
Bad debt expense	236,109	-
(Increase) decrease in operating assets:		
Accounts receivable	(45,026)	50,682
Pledge receivables	(15,969)	(4,730)
Prepaid expenses	(5,736)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	24,166	(11,812)
Deferred revenues	(16,000)	(4,478)
NET CASH USED IN OPERATING ACTIVITIES	<u>(556,335)</u>	<u>(189,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	830,000	293,609
Purchase of investments / reinvested dividends	(167,114)	(239,117)
Acquisition of property and equipment	(148,447)	(127,356)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>514,439</u>	<u>(72,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(4,803)	(4,803)
Proceeds from restricted contributions	-	73,400
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(4,803)</u>	<u>68,597</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,699)	(193,562)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>167,598</u>	<u>361,160</u>
End of year	<u>\$ 120,899</u>	<u>\$ 167,598</u>

See notes to financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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:

Basis 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).

Adoption of New Accounting Pronouncements:

Effective July 1, 2023, High Hopes adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which modifies the measurement of expected credit losses on certain financial instruments. High Hopes adopted this new guidance utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on High Hope's financial statements as of July 1, 2023 or June 30, 2024.

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. From time to time, the Board of Trustees (the Board) may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. At June 30, 2024 and 2023, there were no board designated net assets.

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). When a donor restriction expires, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restriction.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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

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 FASB ASU No. 2014-09, *Revenue from Contracts with Customers*. All exchange transactions and contracts with customers have a single performance obligation. 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, 2024 and 2023. Contributions and grants are not within the scope of ASU 2014-09.

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 ASU 2014-09. 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 ASU 2014-09. 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 10,300 and 12,700 volunteer hours during the years ended June 30, 2024 and 2023, respectively.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 Corporation (FDIC) coverage is \$250,000 per institution. At various times during the years ended June 30, 2024 and 2023, cash balances exceeded FDIC limits. As of June 30, 2024 and 2023, 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. Effective July 1, 2023, High Hopes records an allowance for credit losses that is estimated based upon historical account write-off trends, facts about the current financial condition of the student, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of students. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. High Hopes had the following activity for its allowance for credit losses for accounts receivable for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ -	\$ -
Provisions for expected credit losses	<u>6,838</u>	<u>-</u>
Ending balance	<u><u>\$ 6,838</u></u>	<u><u>\$ -</u></u>

Prior to July 1, 2023, High Hopes performed ongoing credit evaluations of its customers and evaluated contracts receivable on a periodic basis to determine collectability.

Pledge Receivables:

Contributions and endowment campaign pledge receivables 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 pledge receivables 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 pledge receivables is recorded based on management's evaluation of potential uncollectible unconditional promises at year-end (see Note 5). Management believes all contributions and endowment campaign pledge receivables are collectible at June 30, 2024 and 2023, and therefore, no reserve for uncollectible amounts was established.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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

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.

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 7).

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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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

Endowment (continued):

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, 2024 or 2023.

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, 2024 and 2023 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 and amortization 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 and amortization are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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

Property and Equipment (continued):

The estimated useful lives are as follows:

Building and improvements	30 - 40 years
Land 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, 2024 and 2023.

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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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

Marketing and Advertising:

Marketing and advertising costs are expensed as incurred. Such costs totaled \$117,436 and \$134,112 for the years ended June 30, 2024 and 2023, respectively, of which \$18,333 and \$58,028, respectively, are included in special events, \$96,001 and \$62,985, respectively, are included in professional fees and, \$3,102 and \$13,099, respectively, are included in office expenses 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 net investment income and bad debt expense on endowment pledged receivables, and credit loss expense on accounts receivable.

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.

Subsequent Events:

Management has evaluated subsequent events through November 25, 2024 the date which the financial statements were available for issue.

NOTE 3 – RECLASSIFICATIONS:

Net assets with and without donor restrictions as of July 1, 2023 have been reclassified to correct the misclassification of unrestricted investment income with cumulative earnings on endowment in the prior year financial statement. As a result, net assets without restricted assets were increased \$977,062 and net assets with donor restricted assets decreased \$977,062.

Certain other amounts as of June 30, 2023 have been reclassified to conform to the June 30, 2024 presentation. Those reclassifications have no material effect on the financial statements.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4 – CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue from Contracts with Customers:

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

	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers:		
Satisfied over time:		
Fees for service	\$ 219,072	\$ 301,799
Satisfied at a point in time:		
Special events	61,046	61,425
Other support and revenue:		
Contributions and grants	746,144	945,847
Contributions from special events	402,466	354,244
Contributed nonfinancial assets	85,001	117,081
Other operating income	14,196	15,891
	<u>1,247,807</u>	<u>1,433,063</u>
	<u>\$ 1,527,925</u>	<u>\$ 1,796,287</u>

Contract Balances:

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 61,693	\$ 36,005	\$ 86,687
Deferred revenues	\$ 30,117	\$ 46,117	\$ 50,595

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 5 –PLEDGE RECEIVABLES:

Pledge receivables to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates 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. There was no discount or allowance for uncollectible pledges at June 30, 2024. The discount on pledge receivables in two to five years were discounted using a rate of approximately 3.01% at June 30, 2023. There was no allowance for uncollectible pledges at June 30, 2024 and June 30, 2023, respectively.

Pledge receivables are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 139,090	\$ 293,730
Receivable in two to five years	-	53,000
Gross pledge receivables	<u>139,090</u>	<u>346,730</u>
Less discount to present value	-	(16,979)
	<u>\$ 139,090</u>	<u>\$ 329,751</u>

During the year ended June 30, 2024, High Hopes was notified that a donor would no longer be able to continue their long-term pledge and endowment pledge promise. As a result, \$236,109 was written off from pledge receivables of which \$200,000 was removed from perpetual restricted endowments (see Note 7). Bad debt expense related to the pledge was reported in the accompanying statement of activities.

Pledge receivables consist primarily of amounts due from foundations and individuals. As of June 30, 2024 and 2023, one individual accounted for 42% and 76% of pledge receivables, respectively .

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6 – INVESTMENTS:

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

	<u>2024</u>	<u>2023</u>
Equity mutual funds	\$ 4,978,712	\$ 4,940,177
Bond mutual funds	<u>1,540,129</u>	<u>1,533,072</u>
	<u>\$ 6,518,841</u>	<u>\$ 6,473,249</u>

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

<u>2024</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 17,137	\$ 150,002	\$ 167,139
Investment advisory fees	(3,076)	(26,924)	(30,000)
Net unrealized gain	41,952	367,222	409,174
Net realized gain	<u>30,687</u>	<u>268,617</u>	<u>299,304</u>
	<u>\$ 86,700</u>	<u>\$ 758,917</u>	<u>\$ 845,617</u>
<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 6,150	\$ 135,907	\$ 142,057
Investment advisory fees	(1,173)	(25,932)	(27,105)
Net unrealized gain	19,278	533,332	552,610
Net realized gain	<u>724</u>	<u>15,998</u>	<u>16,722</u>
	<u>\$ 24,979</u>	<u>\$ 659,305</u>	<u>\$ 684,284</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 7 – 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:

	Cumulative Earnings on Endowments	Perpetual Restrictions	Total
Endowment net assets, July 1, 2022	\$ 2,348,378	\$ 3,427,814	\$ 5,776,192
Investment income, net	659,305	-	659,305
Appropriation of assets for expenditures	(242,502)	-	(242,502)
Endowment net assets, June 30, 2023	<u>2,765,181</u>	<u>3,427,814</u>	<u>6,192,995</u>
Contributions	-	1,262	1,262
Investment income, net	758,917	-	758,917
Appropriation of assets for expenditures	(236,957)	-	(236,957)
Pledged endowment receivable writeoff (see Note 5)	-	(200,000)	(200,000)
Reclassification (see Note 3)	<u>(977,062)</u>	<u>-</u>	<u>(977,062)</u>
Endowment net assets, June 30, 2024	<u>\$ 2,310,079</u>	<u>\$ 3,229,076</u>	<u>\$ 5,539,155</u>

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 8 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 2,061,452	\$ 2,061,452
Land and land improvements	953,419	839,824
Software, office equipment and furnishings	314,600	310,684
Truck, tractors and barn equipment	175,009	175,009
Horses	31,380	31,380
Saddles, tack and equipment	7,047	7,047
	<u>3,542,907</u>	<u>3,425,396</u>
Accumulated depreciation and amortization	<u>(2,115,563)</u>	<u>(2,049,398)</u>
	1,427,344	1,375,998
Construction in progress	<u>15,056</u>	<u>-</u>
	<u>\$ 1,442,400</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.

NOTE 9 – 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, 2024 and June 30, 2023 the balance outstanding totaled \$5,204 and \$10,007, respectively.

Future minimum payments for each of the years succeeding June 30, 2024 are \$4,803 for 2025 and \$401 for 2026.

NOTE 10 – 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 discretionarily matches employee contributions up to 2% of their salaries. There was no matching contribution made for the year ended June 30, 2024. Total matching contributions for the year ended June 30, 2023 were \$8,157. Participants self-direct the investment of their own account.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Operations:		
Marketing and advertising	\$ 19,235	\$ 13,791
Design services	-	15,899
Property and equipment	4,000	2,000
Legal services	9,106	-
Other goods and services	14,311	2,984
	<u>46,652</u>	<u>34,674</u>
June event:		
Production and design	\$ 22,410	\$ 16,980
Other goods and services	12,579	14,074
Marketing and advertising	3,360	31,740
	<u>38,349</u>	<u>62,794</u>
Holiday market:		
Marketing and advertising	-	18,513
Other services	-	1,100
	<u>-</u>	<u>19,613</u>
	<u>\$ 85,001</u>	<u>\$ 117,081</u>

All contributions of nonfinancial assets were utilized during the years ending June 30, 2024 and 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 (see Note 2).

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Permanent endowment	\$ 3,229,076	\$ 3,427,814
Cumulative endowment earnings available for appropriation	2,310,079	2,765,181
Donor imposed time restrictions	46,648	230,257
Restricted for capital acquisitions	153,263	153,263
Restricted for specific program	9,142	76,576
Restricted for other specific purposes	75,054	159,975
Restricted for long-term contributions	-	10,000
	<u>\$ 5,823,262</u>	<u>\$ 6,823,066</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. Net assets were released from restriction by satisfying the following purposes during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Endowment	\$ 236,957	\$ 242,502
Donor imposed time restrictions	205,257	-
Programs and other specific purposes	150,296	175,475
Equine Care	80,000	15,509
Miscellaneous	-	12,807
	<u>\$ 672,510</u>	<u>\$ 446,293</u>

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.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The hierarchy prioritizes the inputs to fair value measurements into three levels.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that High Hopes has the ability to access.

Level 2 – Inputs to the valuation methodology include:

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

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

High Hopes investments are all classified as Level 1 as of June 30, 2024 and 2023, and totaled \$6,518,841 and \$6,473,249, respectively.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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.

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

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 120,899	\$ 167,598
Accounts receivable, net	61,693	36,005
Pledge receivable, net	139,090	329,751
Investments	<u>6,518,841</u>	<u>6,473,249</u>
Financial assets, at year end	6,840,523	7,006,603
Less those unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions	<u>(5,823,262)</u>	<u>(6,823,066)</u>
	<u>\$ 1,017,261</u>	<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, 2025 will be \$258,000.

HIGH HOPES THERAPEUTIC RIDING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 15 – SPECIAL EVENTS:

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

	<u>2024</u>	<u>2023</u>
Contributions and sponsorships	402,466	354,244
Ticket sales	61,046	61,425
Contributed nonfinancial assets	38,349	82,407
Total revenue	<u>501,861</u>	<u>498,076</u>
Less: cost of direct benefits to donors	(102,804)	(80,051)
Less: other costs of events	<u>(102,853)</u>	<u>(193,073)</u>
Net revenue from special events	<u>\$ 296,204</u>	<u>\$ 224,952</u>

NOTE 16 – RISKS AND UNCERTAINTIES:

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 accompanying statements of financial position.