

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the years ended August 31, 2024 and 2023

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Center For Equine Facilitated Therapy
Woodside, California

Opinion

We have audited the accompanying financial statements of the National Center For Equine Facilitated Therapy (the "Organization"), which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities and changes in net assets, 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 the National Center For Equine Facilitated Therapy as of August 31, 2024 and 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the National Center For Equine Facilitated Therapy 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 the National Center For Equine Facilitated Therapy'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.

INDEPENDENT AUDITORS' REPORT – CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements, continued

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 the National Center For Equine Facilitated Therapy'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 the National Center For Equine Facilitated Therapy'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.

SD Mayer & Associates, LLP

San Francisco, California

September 4, 2025

National Center For Equine Facilitated Therapy
STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,378	\$ 84,235
Accounts receivable	49,418	29,615
Promises to give, net	172,377	34,160
Prepaid expenses	41,915	62,356
Investments, at fair value	1,741,439	1,923,655
Property and equipment, net	4,274,085	4,351,874
Other assets	18,500	21,750
	Total Assets	Total Assets
	\$ 6,299,112	\$ 6,507,645
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 21,972	\$ 24,510
Accrued payroll liabilities	103,804	88,972
Deferred revenue	167,707	194,830
Finance lease liability	5,167	10,258
Note payable	25,856	-
	Total Liabilities	Total Liabilities
	324,506	318,570
Net Assets:		
Without donor restrictions	5,736,689	6,186,247
With donor restrictions	237,917	2,828
	Total Net Assets	Total Net Assets
	5,974,606	\$ 6,189,075
	Total Liabilities and Net Assets	Total Liabilities and Net Assets
	\$ 6,299,112	\$ 6,507,645

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

National Center For Equine Facilitated Therapy
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended August 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Donations	\$ 240,794	\$ 139,297	\$ 380,091	\$ 578,802	\$ 64,163	\$ 642,965
Grants	59,397	230,000	289,397	20,000		20,000
Special events (including in-kind expenses), net	322,162		322,162	245,118		245,118
In-kind donations	26,777		26,777	14,570		14,570
Total Support	649,130	369,297	1,018,427	858,490	64,163	922,653
Revenue						
Therapy fees	681,602		681,602	532,841		532,841
Rental income, net	67,722		67,722	58,113		58,113
Investment income (loss), net	271,659		271,659	167,598		167,598
Miscellaneous income	11,546		11,546	14,386		14,386
Total Revenue	1,032,529	-	1,032,529	772,938	-	772,938
Net Assets Released From Restriction	134,208	(134,208)	-	232,221	(232,221)	-
Total Support and Revenue	1,815,867	235,089	2,050,956	1,863,649	(168,058)	1,695,591
Expenses						
Equine programs	1,466,118		1,466,118	1,576,959		1,576,959
Management and general	566,914		566,914	407,376		407,376
Fundraising	232,393		232,393	218,740		218,740
Total Expenses	2,265,425	-	2,265,425	2,203,075	-	2,203,075
Change in Net Assets	(449,558)	235,089	(214,469)	(339,426)	(168,058)	(507,484)
Net Assets, beginning of year	6,186,247	2,828	6,189,075	6,525,673	170,886	6,696,559
Net Assets, end of year	<u>\$ 5,736,689</u>	<u>\$ 237,917</u>	<u>\$ 5,974,606</u>	<u>\$ 6,186,247</u>	<u>\$ 2,828</u>	<u>\$ 6,189,075</u>

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

National Center For Equine Facilitated Therapy
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2024

Expenses	Program Services		Supporting Services		Total
	Equine Programs	Management and General	Fundraising		
Salaries and Benefits					
Salaries and Wages	\$ 835,053	\$ 214,879	\$ 159,763	\$ 1,209,695	
Payroll Taxes	68,846	21,694	12,841	103,381	
Workers Compensation	143	59,094	-	59,237	
Health Insurance	64,032	16,294	13,398	93,724	
Payroll Service Fees	-	37,680	-	37,680	
Total Salaries and Benefits	968,074	349,641	186,002	1,503,717	
Contractor Fees	10,162	-	-	10,162	
Recruiting Expenses	-	2,500	154	2,654	
Personnel Costs	30	602	-	632	
Continuing Education	1,742	-	-	1,742	
Program Supplies & Services	4,968	7,730	65	12,763	
Financial Assistance Expense	102,464	-	-	102,464	
Veterans Assistance	59,395	-	-	59,395	
Marketing and Public Relations	-	-	750	750	
Winter Campaign Expense	-	-	5,292	5,292	
Spring Campaign Expense	-	-	97	97	
Special Event Expense	55	258	-	313	
Facility Maintenance	73,475	1,809	-	75,284	
Facility Project Expense	9,686	-	-	9,686	
Vehicle/Equipment Expense	3,521	-	-	3,521	
Utilities (PG&E & Water)	28,172	-	-	28,172	
In-kind Expense	20,188	-	6,589	26,777	
Hay/Shavings - Horse	66,489	-	-	66,489	
Debris Box - Horse	28,249	-	-	28,249	
Veterinary - Horse	28,354	-	-	28,354	
Contract Labor - Horse	33,580	-	-	33,580	
Barn Supplies & Horse Other	9,648	-	-	9,648	
Insurance	-	30,457	-	30,457	
Financial Transaction Fees	3	2,556	15,030	17,589	
Legal & Accounting	-	24,020	-	24,020	
Licenses and Business Fees	-	1,282	-	1,282	
Taxes	-	612	-	612	
Telephone	14,898	(4,943)	-	9,955	
IT Support	-	15,170	244	15,414	
Dues & Subscriptions	2,636	5,388	6,409	14,433	
Bad Pledges	-	219	-	219	
Office Equipment and Maintenance	-	767	3,867	4,634	
Office Furniture and Decoration	-	574	-	574	
Office Supplies	263	7,929	7,345	15,537	
Emergency Preparedness Expense	-	97	-	97	
Other	66	7,558	549	8,173	
Depreciation and Amortization	-	112,688	-	112,688	
Total Expenses	\$ 1,466,118	\$ 566,914	\$ 232,393	\$ 2,265,425	

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

National Center For Equine Facilitated Therapy
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2023

	Program Services		Supporting Services		Total
	Equine Programs	Management and General	Fundraising		
Expenses					
Salaries and Benefits					
Salaries and Wages	\$ 909,705	\$ 134,982	\$ 125,025	\$	1,169,712
Payroll Taxes	76,523	10,323	14,165		101,011
Workers Compensation	58,043	8,612	7,978		74,633
Health Insurance	61,219	7,469	14,697		83,385
Payroll Service Fees	27,354	4,060	3,759		35,173
Total Salaries and Benefits	1,132,844	165,446	165,624		1,463,914
Contractor Fees	6,571	-	-		6,571
Consulting Fees	-	-	5,000		5,000
Recruiting Expenses	153	30,170	-		30,323
Personnel Costs	-	5,583	-		5,583
Continuing Education	1,405	-	-		1,405
Program Supplies & Services	6,394	-	-		6,394
Financial Assistance Expense	75,819	-	-		75,819
Veterans Assistance	56,402	-	-		56,402
Marketing and Public Relations	-	-	424		424
Winter Campaign Expense	-	-	8,776		8,776
Spring Campaign Expense	-	-	5,295		5,295
Other Development Expense	-	-	200		200
Special Event Expense	-	-	434		434
Facility Maintenance	87,490	1,653	-		89,143
Facility Project Expense	3,547	-	-		3,547
Vehicle/Equipment Expense	11,913	-	-		11,913
Utilities (PG&E & Water)	22,151	-	-		22,151
In-kind Expense	7,200	-	6,470		13,670
Hay/Shavings - Horse	53,941	-	-		53,941
Debris Box - Horse	25,615	-	-		25,615
Veterinary - Horse	23,814	-	-		23,814
Contract Labor - Horse	34,467	-	-		34,467
Barn Supplies & Horse Other	4,805	30	-		4,835
Insurance	-	37,636	-		37,636
Financial Transaction Fees	-	9,553	14,552		24,105
Legal & Accounting	3,650	28,455	-		32,105
Licenses and Business Fees	1,257	-	5		1,262
Taxes	-	598	-		598
Telephone	12,525	-	-		12,525
IT Support	-	10,789	244		11,033
Dues & Subscriptions	1,438	5,447	6,685		13,570
Bad Pledges	761	-	1		762
Office Equipment and Maintenance	961	2,554	4,306		7,821
Office Furniture and Decoration	448	376	67		891
Office Supplies	54	9,972	387		10,413
Emergency Preparedness Expense	39	12	-		51
Other	1,295	4,942	270		6,507
Depreciation and Amortization	-	94,160	-		94,160
Total Expenses	\$ 1,576,959	\$ 407,376	\$ 218,740	\$	2,203,075

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

National Center For Equine Facilitated Therapy
STATEMENTS OF CASH FLOWS
For the years ended August 31, 2024 and 2023

Cash Flows From Operating Activities:	2024	2023
Change in Net Assets	\$ (214,469)	\$ (507,484)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	112,688	94,160
Net realized and unrealized gain on investments	(254,314)	(118,456)
Changes in operating assets and liabilities:		
Accounts receivable	(19,803)	273
Promises to give	(138,217)	117,029
Prepaid expenses	20,441	30
Other assets	3,250	2,556
Accounts payable	(2,538)	585
Accrued Payroll Liabilities	14,832	(8,382)
Deferred revenue	(27,123)	7,947
	<u>(505,253)</u>	<u>(411,742)</u>
 Cash Flows From Investing Activities:		
Proceeds from the sale of investments	1,356,351	1,240,245
Purchase of investments	(919,821)	(789,867)
Purchase of property and equipment	-	(35,699)
	<u>436,530</u>	<u>414,679</u>
 Cash Flows From Financing Activities:		
Payments made on finance lease liability	(5,091)	(4,796)
Payments made on note payable	(9,043)	-
	<u>(14,134)</u>	<u>(4,796)</u>
 Decrease In Cash and cash equivalents	(82,857)	(1,859)
 Cash and Cash Equivalents, Beginning of Year	<u>84,235</u>	<u>86,094</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,378</u>	<u>\$ 84,235</u>
 Supplementary Information:		
Interest paid	<u>\$ 477</u>	<u>\$ 773</u>
State income taxes paid	<u>\$ -</u>	<u>\$ 598</u>
In-kind donations	<u>\$ 85,803</u>	<u>\$ 97,515</u>
Purchase of equipment with the issuance of a note payable	<u>\$ 34,899</u>	<u>\$ -</u>

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

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

National Center for Equine Facilitated Therapy (the “Organization” or “NCEFT”) is a nonprofit organization located in Woodside California. Founded in 1971, the Organization is internationally recognized as a pioneer and leader in the field of equine-assisted programs. For nearly 52 years, the Organization has tapped into the profound rehabilitative power of the human-horse relationship to bring healing to thousands of Bay Area children and adults (ages 2-90+) with physical, cognitive, neuromuscular, mental, and emotional challenges and disabilities. Common diagnoses for these patients include, but are not limited to, cerebral palsy, multiple sclerosis, Down syndrome, autism, developmental delay, traumatic brain injury, spinal cord injury, paralysis, stroke, genetic disorders, ADHD, learning or language disabilities, as well as PTSD, anxiety, depression, social isolation, grief, and loss.

The Organization’s programs include Physical, Occupational, and Speech-Language Therapy, Adaptive Riding (recreational horseback riding and horsemanship lessons adapted for an individual’s disability), Equine-Assisted Mental Health & Resilience Programs and Workshops, Mindfulness Programs, Happy Trails Camp, Social Skills Programs, Special Education School Programs, and Veteran and First Responder Programs.

Our breadth and depth of programming, tenure, and history of pioneering equine-assisted programs in the United States sets NCEFT apart from other similar organizations in the area. Thus, NCEFT has the distinction of being the only Northern California Facility member of the American Hippotherapy Association.

The Organization’s Mission Statement:

“NCEFT is dedicated to helping children, adults, and military Veterans with special needs reach beyond their boundaries through equine-assisted therapies, education, and research.”

BASIS OF ACCOUNTING

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of the accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

BASIS OF PRESENTATION

Classification of Net Assets

U.S. GAAP requires that the Organization report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support the Organization's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets; (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income.

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as 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. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as these receivables are discounted based on the prevailing rates.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

ACCOUNTS RECEIVABLE

Accounts receivable are uncollateralized obligations which are stated at the amount expected to be collected from the customer. Accounts receivable are due under contract terms requiring payment within 30 days from the invoice date. Account balances with invoices dated over 90 days old are considered delinquent. Interest is not charged on delinquent accounts. Payments of accounts receivable are allocated to specific invoices identified on the customers' remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The Organization uses the allowance method to account for uncollectible receivables. The allowance for credit losses reflects management's best estimate, determined on an annual basis, of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year.

For the years ended August 31, 2024 and 2023, a valuation allowance, based on specific identification of past due accounts, was not considered necessary. Accounts receivable amounted to \$49,418, \$29,615, and \$29,888 for the years ended August 31, 2024, 2023, and 2022, respectively.

PROMISES TO GIVE

Unconditional promises to give are recognized as support or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The Organization uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of August 31, 2024 and 2023, all promises to give were considered collectible.

OTHER ASSETS

Other assets consist of a donated sculpture. The sculpture is considered to have an indefinite useful life because it is maintained in perpetuity with minimal deterioration. Therefore, no depreciation is taken but the amount is tested for impairment instead. There was no impairment loss at August 31, 2024 and 2023.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

INVESTMENTS AND INVESTMENT INCOME

Investments in marketable securities are carried at fair value based upon quoted market prices. Fair value is defined as 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.

Interest and dividend income and realized and unrealized gains and losses are included as income in the year earned. Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on an accrual basis.

The Organization's Board of Directors is responsible for establishing investment criteria and overseeing its investments.

PROPERTY AND EQUIPMENT

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of donation. Depreciation is calculated on the straight-line method based upon estimated useful lives ranging from 3 to 39 years. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, undiscounted cash flows, or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended August 31, 2024 and 2023.

ACCRUED ANNUAL LEAVE

Employees may accumulate up to 20 days annually depending on the number of years employed. Employees may accrue a maximum of 150% of their respective annual leave per year.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

DEFERRED REVENUE

Deferred revenue results from the Organization recognizing revenue for special events and services in the period in which the event and services take place. Accordingly, cash received before the event and services take place are reported as deferred revenue.

REVENUE RECOGNITION

Contributions

Contributions are recognized when they are received or unconditionally promised, regardless of compliance with restrictions. Conditional promises are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. Unconditional contributions are recognized based on the existence or absence of donor-imposed restrictions. Contributions with donor-imposed restrictions may be expendable or are required to be held permanently. Contributions with donor-imposed restrictions and investment income generated from such investments that are complied with in the year of receipt are reported as support without donor restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the conditions have been met or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

Contributed Goods and Services

Donated goods are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services either (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. In addition, the Organization receives other contributed services that do not meet the criteria for recognition, but which are, nonetheless, central to its operations. These services are not reflected in the accompanying financial statements.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Program Revenue

The Organization recognizes therapy and other program fee revenue in the period in which the service has been provided. Contract revenue is measured based on the consideration specified in various program contracts based on a fee-for-service. The Organization recognizes contract revenue when it satisfies the performance obligations by delivering the contracted services to targeted patients. Such contractual arrangements give rise to contract assets (accounts receivable) and contract liabilities (deferred revenue); where the accounts receivable represent the Organization's unconditional right to the consideration contracted less any financial assistance or discount extended to the patients, and the advance represents the funds received in advance against the services expected to be performed and delivered. Financial assistance and veterans assistance amounted to \$59,297 and \$64,163 for the years ended August 31, 2024 and 2023, respectively, and are recorded in the statements of activities and changes in net assets.

INCOME TAXES

The Organization is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code, respectively. U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of August 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

RECLASSIFICATIONS

Certain accounts in the prior year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. There was no impact on the previously reported change in net assets, total expenses, or total assets.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization attempts to limit its credit risk associated with investments by utilizing outside investment managers to place the Organization's investments.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

CONCENTRATIONS OF RISK

Financial Instruments

Management believes that the Organization is not exposed to any significant credit risk related to concentrations.

Concentrations

At August 31, 2024, one donor accounted for 73% of the net outstanding promises to give. For the year ended August 31, 2024, one donor accounted for 38% of total donations that are included in support in the statement of activities and changes in net assets.

At August 31, 2023, one donor accounted for 95% of the net outstanding promises to give. For the year ended August 31, 2023, several donors accounted for 58% of total donations that are included in support in the statement of activities and changes in net assets.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on direct identification while shared expenses have been allocated based on the estimates made by management of time and efforts.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. ASU 2016-13, “*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*”. This amendment requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This ASU is effective for fiscal years beginning after December 15, 2022. The Organization adopted the standard effective September 1, 2023. The adoption of this ASU did not have a material effect on the financial statements and related disclosures.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued an accounting pronouncement ASU 2016-02, *Leases (Topic 842)* related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance sheet, while expense recognition on the income statement remains similar to current lease accounting guidance. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021. The Organization has adopted ASU 2016-02 on its financial statements effective September 1, 2022.

LEASES

ASC 842, “Leases”, requires entities to recognize right-of-use (“ROU”) assets and lease liabilities for operating and finance leases. The ROU represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is reviewed for impairment periodically. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease. For its finance lease, the Organization used 6% as weighted-average discount rate.

Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis.

The Organization elected the practical expedient to account for lease components and non-lease components as a single lease component. The Organization does not record leases in the statement of financial position that are classified as short term (less than one year). Short-term lease cost for operating leases with a term of less than 12 months are included in rent expense.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give as of August 31, 2024, consist of the following:

	<u>Due in less Than 1 year</u>	<u>Due in 1 to 5 Years</u>	<u>Total</u>
Restricted by time	\$ 172,377	\$ -	\$ 172,377
Unamortized discount	<u>-</u>	<u>-</u>	<u>-</u>
Promises to give, net	<u>\$ 172,377</u>	<u>\$ -</u>	<u>\$ 172,377</u>

Unconditional promises to give as of August 31, 2023, consist of the following

	<u>Due in less Than 1 year</u>	<u>Due in 1 to 5 Years</u>	<u>Total</u>
Restricted by time	\$ 34,160	\$ -	\$ 34,160
Unamortized discount	<u>-</u>	<u>-</u>	<u>-</u>
Promises to give, net	<u>\$ 34,160</u>	<u>\$ -</u>	<u>\$ 34,160</u>

Promises to give due in one to five years are stated at their present values. There was no discount calculated as the promises to give were short term. The promises to give are restricted by time and will be released with the passage of time.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The levels of the fair value hierarchy are as follows:

Level 1

Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Below is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodology for the years ended August 31, 2024 and 2023.

Equity Securities and EFT Securities

Investments in equity securities and other securities valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Government Bond Funds and Certificates of Deposit

The fair value of Government bond funds and certificates of deposit is estimated using third-party quotations based on observable market data. They are categorized in Level 2 of the fair value hierarchy.

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded and are generally in Level 1 of the fair value hierarchy.

Cash Funds

Valued using market prices from market exchanges and are classified within level 1 of the fair value hierarchy.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
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FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

Preferred Fixed Rate Cap

A hybrid of stocks and bonds. They are categorized in Level 2 of the fair value hierarchy. They are valued using third-party quotations based on observable market data.

The Organization's policy is to recognize transfers between fair value measurement levels as of the actual date of the event or change in circumstance that caused the transfer. The Organization had no transfers between fair value measurement levels during the years ended August 31, 2024 and 2023.

The following table provides information as of August 31, 2024, about Organization's investments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash funds	\$ 27,801	\$ -	\$ -	\$ 27,801
Equity and EFT securities	956,355	-	-	956,355
Government bond funds	-	380,143	-	380,143
Mutual funds	361,047	-	-	361,047
Preferreds fixed rate cap	-	16,093	-	16,093
Total	<u>\$ 1,345,203</u>	<u>\$ 396,236</u>	<u>\$ -</u>	<u>\$ 1,741,439</u>

The following table provides information as of August 31, 2023, about Organization's investments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash funds	\$ 305,710	\$ -	\$ -	\$ 305,710
Equity and EFT securities	792,441	-	-	792,441
Government bond funds	-	404,876	-	404,876
Certificates of deposit	-	123,875	-	123,875
Mutual funds	282,236	-	-	282,236
Preferreds fixed rate cap	-	14,517	-	14,517
Total	<u>\$ 1,380,387</u>	<u>\$ 543,268</u>	<u>\$ -</u>	<u>\$ 1,923,655</u>

Investment income consisted of the following at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Realized and unrealized gain	\$ 254,314	\$ 118,456
Interest and dividends	17,345	49,142
Investment income, net	<u>\$ 271,659</u>	<u>\$ 167,598</u>

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 2,860,675	\$ 2,860,675
Land and improvements	2,395,010	2,395,010
Equipment	142,607	139,713
Leased equipment	19,646	22,540
Vehicles & trucks	61,562	26,663
	<u>5,479,500</u>	<u>5,444,601</u>
Less accumulated depreciation and amortization	<u>(1,205,415)</u>	<u>(1,092,727)</u>
Property and Equipment, Net	<u>\$ 4,274,085</u>	<u>\$ 4,351,874</u>

Depreciation and amortization expense amounted to \$112,688 and \$94,160 for the years ended August 31, 2024 and 2023, respectively.

NOTE 5 – FINANCE LEASE

The Organization entered into lease agreements in 2020 and 2021 for two office copiers. The leases require total monthly payments of \$464 at an annual interest rate of 6.0%. The leases are scheduled to expire by August 2025. Amortization of right of use asset amounted to \$4,756 and \$3,309, respectively, for the years ended August 31, 2024 and 2023 and is included in depreciation expense.

The weighted-average discount rate is 6% and the weighted average remaining lease terms is 1.96 years.

The following is the schedule of annual future minimum lease payments due under the finance lease liability at August 31, 2024:

Year ending August 31:	2025	<u>\$ 5,331</u>
Total minimum lease payments		5,331
Less amount representing interest		<u>(164)</u>
Present value of minimum lease payments		5,167
Less finance lease liability – short term		<u>(5,167)</u>
finance lease liability – long term		<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 6 – NOTE PAYABLE

On January 31, 2024, the Organization entered into a note payable (“the note”) agreement with a lender to finance the purchase of a tractor. The original principal amount of the note was \$34,899.11. The note has a zero interest and a term of 60 months with monthly payments of \$581.65 due beginning October 27, 2023 and ending September 27, 2028. The tractor is collateral on the note.

At the inception of the note on September 27, 2023, The Organization calculated an imputed interest discount using the 5-year treasury yield of 4.76% in the amount of \$3,896.72, resulting in a note payable of \$31,003. Payments made under the note amounted to \$5,147 during the year ended August 31, 2024.

The following is the schedule of annual future principal payments due under the note payable at August 31, 2024:

Year ending August 31:					
	2025	\$	6,980		
	2026		6,980		
	2027		6,980		
	2028		6,980		
	2029		579		
			28,499		
Total payments			28,499		
Less amount representing interest			(2,643)		
Present value of principal payments			25,856		
Less note payable – short term			(5,876)		
Note payable – long term		\$	19,980		

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The activity for net assets with donor restrictions for the year ended August 31, 2024, is as follows:

	Beginning Balance	Additions	Releases	Ending Balance
Purpose Restricted				
Financial assistance	\$ 2,828	\$ 59,297	\$ (62,125)	\$ -
Time Restricted				
Promises to give, net	-	310,000	(72,083)	237,917
Total	\$ 2,828	\$ 369,297	\$ (134,208)	\$ 237,917

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

The activity for net assets with donor restrictions for the year ended August 31, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Purpose Restricted				
Financial assistance	\$ 70,886	\$ 64,163	\$ (132,221)	\$ 2,828
Time Restricted				
Promises to give, net	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Total	<u>\$ 170,886</u>	<u>\$ 64,163</u>	<u>\$ (232,221)</u>	<u>\$ 2,828</u>

NOTE 8 - IN-KIND DONATIONS

The Organization received and recorded the following in-kind donations during the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
In-kind Expenses (Services, supplies)	\$ 19,577	\$ 7,370
Debris boxes	7,200	7,200
Donated auction items (included in special events revenue)	<u>59,026</u>	<u>82,945</u>
Total	<u>\$ 85,803</u>	<u>\$ 97,515</u>

The in-kind donations were used to benefit the Organization's program services and both management and general and fundraising supporting services. The value of the donated items and supplies are based on third party pricing.

NOTE 9 - SPECIAL EVENTS

The following table provides information about the Organization's special events for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Special Events		
Income	\$ 519,770	\$ 480,184
Expenses	<u>(197,608)</u>	<u>(235,066)</u>
Total Special Events, Net	<u>\$ 322,162</u>	<u>\$ 245,118</u>

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

NOTE 10 - RENTAL INCOME AND RELATED FEES

The Organization receives rental income and fees related to occupancy, utility usage, horse feed, and arena usage from various parties. Net rental income for the years ended August 31, 2024 and 2023, is as follows:

	2024	2023
Rental income	\$ 152,142	\$ 142,681
Animal care services	(84,420)	(84,568)
Net Rental Income	\$ 67,722	\$ 58,113

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the statement of financial position date for general expenditures were as follows at August 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 1,378	\$ 84,235
Accounts receivable	49,418	29,615
Promises to give, net	172,377	34,160
Investments	1,741,439	1,923,655
Total Financial Assets Available Within One Year	1,964,612	2,071,665
Less:		
Amounts unavailable for general expenditures within one year due to donor-imposed restrictions	(237,917)	(2,828)
Financial Assets available to Meet General Expenditures Within One Year	\$ 1,726,695	\$ 2,068,837

In the event the need arises to manage unanticipated liquidity needs, the Organization can seek short-term financing from external sources.

NOTE 12 - RELATED PARTY TRANSACTIONS

There were no transactions during the years ended August 31, 2024 and 2023.

NOTE 13 - RETIREMENT PLAN

The Organization has a non-matching 401(k) plan for its employees. Those employees who are 21 and older and have completed one year of service may choose to participate in the 401(k) plan at their discretion.

NATIONAL CENTER FOR EQUINE FACILITATED THERAPY
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 4, 2025, the date the financial statements were available to be issued and concluded that there are no other events that would require recording or disclosure in the financial statements other than what is disclosed below.

The Organization has elected to account for the Employee Retention Tax Credit (ERTC) under Accounting Standards Codification Subtopic 958-605 and treat the ERTC as a conditional grant that cannot be recognized in revenue until all barriers are overcome. Subsequent to August 31, 2024, the Organization received and recognized ERTC refunds amounting to \$283,744 in the corresponding periods.