

SD Mayer & Associates LLP  
235 Montgomery Street, 30th Floor  
San Francisco, CA 94104  
415 691 4040 main  
sdmayer.com



**NATIONAL CENTER FOR EQUINE FACILITATED THERAPY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

For the years ended August 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

### **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.

## INDEPENDENT AUDITORS' REPORT – CONTINUED

### Auditor's 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

*SD Mayer & Associates, LLP*

San Francisco, California

June 15, 2023

**National Center For Equine Facilitated Therapy**  
**STATEMENTS OF FINANCIAL POSITION**  
August 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 86,094	\$ 284,453
Accounts receivable	29,888	13,640
Promise to give, net	151,189	513,171
Inventory	21,750	21,750
Prepaid expenses	62,386	34,358
Investments, at fair value	2,255,577	2,529,528
Property and equipment, net	4,410,335	4,490,714
Other assets	2,556	2,556
	\$ 7,019,775	\$ 7,890,170
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,925	\$ 46,359
Accrued payroll liabilities	97,354	77,799
Deferred revenue	186,883	200,572
Capital lease obligation	15,054	16,676
Notes payable	-	212,302
	323,216	553,708
<b>Net Assets:</b>		
Without donor restrictions	6,525,673	6,757,662
With donor restrictions	170,886	578,800
	6,696,559	\$ 7,336,462
<b>Total Net Assets</b>	6,696,559	\$ 7,336,462
<b>Total Liabilities and Net Assets</b>	\$ 7,019,775	\$ 7,890,170

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, 2022 and 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Support and Revenue</b>				
<b>Support</b>				
Donations	\$ 465,865	\$ 89,077	\$ 554,942	\$ 134,260
Grants	214,831	130,000	344,831	70,000
Special events (including in-kind expenses), net	428,977		428,977	58,045
In-kind donations	61,009		61,009	85,683
<b>Total Support</b>	<u>1,170,682</u>	<u>219,077</u>	<u>1,389,759</u>	<u>134,260</u>
<b>Revenue</b>				
Therapy fees	290,416		290,416	201,472
Rental income, net	65,749		65,749	62,384
Investment income (loss), net	(199,925)		(199,925)	216,825
Miscellaneous income	2,726		2,726	1,792
<b>Total Revenue</b>	<u>158,966</u>	<u>-</u>	<u>158,966</u>	<u>482,473</u>
Net Assets Released From Restriction	626,991	(626,991)	-	(532,917)
<b>Total Support and Revenue</b>	<u>1,956,639</u>	<u>(407,914)</u>	<u>1,548,725</u>	<u>1,342,209</u>
<b>Expenses</b>				
Equine programs	1,384,579		1,384,579	1,157,512
Management and general	451,870		451,870	411,483
Fundraising	352,180		352,180	308,507
<b>Total Expenses</b>	<u>2,188,629</u>	<u>-</u>	<u>2,188,629</u>	<u>1,877,502</u>
Change in Net Assets	(231,990)	(407,914)	(639,904)	(398,657)
Net Assets, beginning of year	6,757,662	578,800	7,336,462	977,457
Net Assets, end of year	<u>\$ 6,525,672</u>	<u>\$ 170,886</u>	<u>\$ 6,696,558</u>	<u>\$ 578,800</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, 2022**

	<u>Program Services</u>		<u>Supporting Services</u>		Total
	Equine Programs	Management and General	Fundraising		
<b>Expenses</b>					
<b>Salaries and Benefits</b>					
Salaries and Wages	\$ 825,876	\$ 168,469	\$ 223,778	\$	1,218,123
Payroll Taxes	65,335	12,197	16,028		93,560
Workers Compensation	727	30,049	-		30,776
Health Insurance	44,684	7,762	22,710		75,156
Payroll Service Fees	260	22,147	-		22,407
<b>Total Salaries and Benefits</b>	<b>936,882</b>	<b>240,624</b>	<b>262,516</b>		<b>1,440,022</b>
Contractor Fees	2,790	-	-		2,790
Personnel Costs	1,098	(1,287)	-		(189)
Continuing Education	483	-	899		1,382
Program Supplies & Services	5,990	372	3,087		9,449
Financial Assistance Expense	43,377	-	1,375		44,752
Veterans Assistance	38,820	-	-		38,820
Marketing and Public Relations	-	-	35		35
Winter Campaign Expense	-	-	7,021		7,021
Spring Campaign Expense	-	-	10,481		10,481
Other Development Expense	-	-	8,240		8,240
Special Event Expense	-	-	9,193		9,193
Facility Maintenance	99,849	1,809	178		101,836
Facility Project Expense	5,899	-	-		5,899
Vehicle/Equipment Expense	14,105	96	-		14,201
Utilities (PG&E & Water)	18,307	(49)	-		18,258
In-kind Expense	6,243	-	23,206		29,449
Hay/Shavings - Horse	44,342	-	-		44,342
Debris Box - Horse	84,078	-	-		84,078
Veterinary - Horse	25,357	-	-		25,357
Contract Labor - Horse	36,349	-	-		36,349
Barn Supplies & Horse Other	5,524	-	-		5,524
Insurance	4,777	27,548	-		32,325
Financial Transaction Fees	-	1,314	9,268		10,582
Legal & Accounting	-	29,650	-		29,650
Licenses and Business Fees	1,257	-	-		1,257
Taxes	-	323	-		323
Telephone	5,529	-	-		5,529
IT Support	-	11,523	2,200		13,723
Dues & Subscriptions	1,815	3,704	7,685		13,204
Bad Pledges	-	-	315		315
Office Equipment and Maintenance	178	921	4,713		5,812
Office Furniture and Decoration	760	(1,043)	18		(265)
Office Supplies	378	10,976	828		12,182
Emergency Preparedness Expense	27	-	-		27
Other	365	6,514	922		7,801
Depreciation and amortization	-	118,875	-		118,875
<b>Total Expenses</b>	<b>\$ 1,384,579</b>	<b>\$ 451,870</b>	<b>\$ 352,180</b>	<b>\$</b>	<b>2,188,629</b>

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, 2021

Expenses	Program Services		Supporting Services		Total
	Equine Programs	Management and General	Fundraising		
<b>Salaries and Benefits</b>					
Salaries and Wages	\$ 642,398	\$ 146,023	\$ 198,049		986,470
Payroll Taxes	50,332	9,074	13,808		73,214
Workers Compensation	-	53,967	-		53,967
Health Insurance	42,398	7,580	21,063		71,041
Payroll Service Fees	-	8,956	-		8,956
<b>Total Salaries and Benefits</b>	<b>735,128</b>	<b>225,600</b>	<b>232,920</b>		<b>1,193,648</b>
Contractor Fees	2,885	-	-		2,885
Continuing Education	462	-	120		582
Program Supplies & Services	9,475	96	-		9,571
Financial Assistance Expense	29,650	-	-		29,650
Veterans Assistance	17,790	-	-		17,790
Marketing and Public Relations	150	-	3,994		4,144
Winter Campaign Expense	-	-	8,368		8,368
Spring Campaign Expense	-	-	7,446		7,446
Other Development Expense	-	-	3,660		3,660
Facility Maintenance	117,013	1,543	385		118,941
Facility Project Expense	18,790	(10,342)	-		8,448
Vehicle/Equipment Expense	13,236	-	-		13,236
Utilities (PG&E & Water)	20,750	-	-		20,750
In-kind Expense	44,283	(36,900)	38,400		45,783
Hay/Shavings - Horse	45,978	-	-		45,978
Debris Box - Horse	18,928	-	-		18,928
Veterinary - Horse	17,221	-	-		17,221
Contract Labor - Horse	33,310	-	-		33,310
Barn Supplies & Horse Other	4,153	-	-		4,153
Insurance	13,509	4,066	-		17,575
Financial Transaction Fees	-	3,426	5,764		9,190
Legal & Accounting	-	71,875	-		71,875
Licenses and Business Fees	1,257	25	-		1,282
Taxes	-	590	-		590
Telephone	3,502	6,212	-		9,714
IT Support	-	7,570	539		8,109
Dues & Subscriptions	5,768	3,059	2,905		11,732
Office Equipment and Maintenance	786	4,922	2,523		8,231
Office Furniture and Decoration	495	1,384	812		2,691
Office Supplies	293	9,898	572		10,763
Emergency Preparedness Expense	2,311	-	-		2,311
Other	389	5,564	99		6,052
Depreciation and amortization	-	112,895	-		112,895
<b>Total Expenses</b>	<b>\$ 1,157,512</b>	<b>\$ 411,483</b>	<b>\$ 308,507</b>		<b>\$ 1,877,502</b>

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (639,904)	\$ (535,293)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	118,875	112,895
Discount amortization on promises to give	(42,029)	(21,562)
Debt forgiveness	(212,302)	-
Net realized and unrealized loss (gain) on investments	230,118	(198,216)
Changes in operating assets and liabilities:		
Accounts receivable	(16,248)	1,730
Promise to give	404,011	444,800
Prepaid expenses	(28,028)	(31,858)
Accounts payable	(22,434)	29,413
Accrued Payroll Liabilities	19,555	(22,563)
Deferred revenue	(13,689)	200,572
	<u>(202,075)</u>	<u>(20,082)</u>
Net Cash Used In Operating Activities		
Cash Flows From Investing Activities:		
Proceeds from the sale of investments	1,244,801	1,263,010
Purchase of investments	(1,200,968)	(1,281,794)
Purchase of property and equipment	(35,602)	(144,337)
	<u>8,231</u>	<u>(163,121)</u>
Net Cash Provided By (Used In) Investing Activities		
Cash Flows From Financing Activities:		
Payments on capital lease obligation	(4,516)	(2,794)
	<u>(4,516)</u>	<u>(2,794)</u>
Net Cash Used In Financing Activities		
Decrease In Cash	(198,360)	(185,997)
Cash and cash equivalents, Beginning of Year	<u>284,453</u>	<u>470,450</u>
Cash and cash equivalents, End of Year	<u>\$ 86,093</u>	<u>\$ 284,453</u>
Supplementary Information:		
Interest paid	<u>\$ 1,051</u>	<u>\$ 845</u>
State income taxes paid	<u>\$ 323</u>	<u>\$ 10</u>
In-kind donations	<u>\$ 140,596</u>	<u>\$ 109,314</u>
Purchase of equipment with a capital lease	<u>\$ 2,894</u>	<u>\$ 7,387</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, 2022 AND 2021**

**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 50 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, 2022 AND 2021**

**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, 2022 AND 2021**

**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 doubtful accounts 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.

At August 31, 2022 and 2021, a valuation allowance, based on specific identification of past due accounts, was not considered necessary.

***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, 2022 and 2021, all promises to give were considered collectible.

***INVENTORY***

Inventory consists of donated program materials or auction items. Inventory is recorded at cost if purchased and at fair value if received as a contribution. Inventory is expensed when used or distributed during the year.

**NATIONAL CENTER FOR EQUINE FACILITATED THERAPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**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, 2022 and 2021.

***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, 2022 AND 2021**

**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 is recorded as deferred revenue until recognized in the subsequent year.

***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. Contributions of supplies and other items are recorded at fair value upon receipt when there is an objective and reasonable basis upon which to value the in-kind contributions. These contributions are an integral part of the Organization's activities.

**NATIONAL CENTER FOR EQUINE FACILITATED THERAPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**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. For the year ended August 31, 2022, financial assistance and veterans assistance amounted to \$83,572 and are recorded in the statement of functional expenses. For the year ended August 31, 2021, financial assistance and veterans assistance amounted to \$47,440 and are recorded in the statement of functional expenses.

***Grants Revenue***

In general, grants received by the Organization are considered contributions.

***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, 2022 and 2021, 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.

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

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

***Concentrations***

At August 31, 2022, the net outstanding promise to give is from one donor. For the year ended August 31, 2022, total receivables from one donor accounted for 54% of the combined total of promises to give and accounts receivable and which are included in the statement of financial position. At August 31, 2021, the net outstanding promise to give is from one donor. For the year ended August 31, 2022, total receivables from one donor accounted for 87% of the combined total of promises to give and accounts receivable and which are included in the statement of financial position. Several donors represented at least 10% of the total grants and donations received by the Organization during the years ended August 31, 2022 and 2021.

***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.

***RECENT ACCOUNTING STANDARDS***

In February 2016, the FASB issued an accounting pronouncement (FASB ASU 2016-02) 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. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In June 2020, FASB issued ASU 2020-05 which deferred the effective to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect of ASU 2016-02 on its financial statements.

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. In October 2019, the FASB deferred the effective date to years beginning after December 15, 2022. The Organization is evaluating the effect that ASU No. 2016-13 will have on its financial statements and related disclosures.

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

***RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS***

On September 17, 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 provides guidance concerning presentation and disclosure for contributed nonfinancial assets for nonprofit organizations, including additional presentation and disclosure rules for recognized contributed services. It does not change the recognition and measurement requirements for contributed nonfinancial assets.

This ASU requires the nonprofit organization to present donated nonfinancial assets separately in the statement of activities and changes in net assets from contributions of cash or other financial assets.

The additional disclosure rules require disclosure of nonfinancial assets by category and for each category; the disclosure is required to include the following:

- Qualitative information about whether contributed nonfinancial assets were either monetized or used during the reporting period. If used, a description of the programs or other activities in which those assets were used;
- The nonprofit organization’s policy (if any) for monetizing rather than using contributed nonfinancial assets;
  - A description of any associated donor-imposed restrictions;
  - A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient nonprofit is prohibited by donor-imposed restrictions from selling or using the contributed nonfinancial asset.

The Organization adopted this ASU as of June 30, 2022 and there was no change in net assets as a result of the adoption.

**NOTE 2 - PROMISE TO GIVE**

Unconditional promise to give as of August 31, 2022, consisted of the following:

	Due in less Than 1 year	Due in 1 to 5 Years	Total
Restricted by time	\$ 151,189	\$ -	\$ 151,189
Unamortized discount	-	-	-
Promise to give, net	<u>\$ 151,189</u>	<u>\$ -</u>	<u>\$ 151,189</u>

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**NOTE 2 - PROMISE TO GIVE (continued)**

Unconditional promise to give as of August 31, 2021, consisted of the following:

	Due in less Than 1 year	Due in 1 to 5 Years	Total
Restricted by time	\$ 555,200	\$ -	\$ 555,200
Unamortized discount	<u>(42,029)</u>	<u>-</u>	<u>(42,029)</u>
Promise to give, net	<u>\$ 513,171</u>	<u>\$ -</u>	<u>\$ 513,171</u>

Promises to give due in one to five years are stated at their present values. Management has discounted this promise to give at 3.00% for the year ended August 31, 2021. The discount was deemed insignificant for the year ended August 31, 2022. This promise to give is restricted due to inherent time restrictions. The installments will be released as they become due.

**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.

**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.

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**NOTE 3 - FAIR VALUE MEASUREMENTS (continued)**

**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 year ended August 31, 2022.

**Equity Securities and Other Securities**

Investments in equity securities and other securities valued at the quoted prices in an active market are classified within Level 1 or Level 2 of the fair value hierarchy.

**Fixed Income Securities and Certificates of Deposit**

The fair value of Government bond funds, fixed income securities, and certificates of deposit is estimated using third-party quotations for similar assets. 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.

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, 2022 and 2021.

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**NOTE 3 - FAIR VALUE MEASUREMENTS (continued)**

The following table provides information as of August 31, 2022, 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>
Equity securities	\$ 619,322	\$ -	\$ -	\$ 619,322
Fixed income securities	-	351,945	-	351,945
Certificates of deposit	-	913,433	-	913,433
Mutual funds	326,042	-	-	326,042
Other securities	14,731	30,104	-	44,835
Total	<u>\$ 960,095</u>	<u>\$ 1,295,482</u>	<u>\$ -</u>	<u>\$ 2,255,577</u>

The following table provides information as of August 31, 2021, 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>
Equity securities	\$ 678,690	\$ -	\$ -	\$ 678,690
Fixed income securities	-	71,224	-	71,224
Certificates of deposit	-	1,016,209	-	1,016,209
Mutual funds	745,154	-	-	745,154
Other securities	18,251	-	-	18,251
Total	<u>\$ 1,442,095</u>	<u>\$ 1,087,433</u>	<u>\$ -</u>	<u>\$ 2,529,528</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 2,826,897	\$ 2,804,548
Land and improvements	2,395,010	2,395,010
Equipment	137,793	139,997
Leased equipment	22,540	19,646
Vehicles	26,663	26,663
	<u>5,408,903</u>	<u>5,385,864</u>
Less accumulated depreciation and amortization	(998,568)	(895,150)
Property and Equipment, Net	<u>\$ 4,410,335</u>	<u>\$ 4,490,714</u>

Depreciation expense amounted to \$118,875 and \$112,895 for the years ended August 31, 2022 and 2021, respectively. Amortization expense for leased equipment amounted to \$3,309 and \$3,067 for the years ended August 31, 2022 and 2021, respectively, and is included in depreciation expense.

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**NOTE 5 - NOTES PAYABLE**

On August 31, 2019, the Organization entered into a Promissory Note in May 2020 (the “PPP note”) with WebBank as the lender (the “Lender”), pursuant to which the Lender agreed to make a loan to the Organization under the Paycheck Protection Program (the "PPP loan") offered by the U.S. Small Business Administration in a principal amount of \$187,302 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act. The PPP loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The interest rate on the PPP note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP loan, or a portion of them, are not forgiven, the Organization will be required to make principal and interest payments in monthly installments beginning ten months from the date of the PPP note. The PPP note matures two years from the date the funds are received. On September 17, 2021, the Organization received full forgiveness of the principal amount of the PPP note amounting to \$187,302 along with forgiveness of \$2,529 of interest.

On May 5, 2020, the Organization entered into an interest-free COVID-19 loan of \$25,000 (the “COVID-19 loan”) with the Sequoia Healthcare District. The COVID-19 loan was applied for and received to provide funds during the shelter-in-place order when NCEFT was closed for sessions. The COVID-19 loan was received while the application for the federal PPP loan was in process. Proceeds from the COVID-19 loan went towards direct fixed expenses. These expenses include the care and feeding of our livestock (horses, donkeys, and chickens) and maintenance and repair on the facility. The COVID-19 loan was expected to be repaid in three equal installments on July 1, 2022, 2023 and 2024, respectively. On January 14, 2022, the Organization received full forgiveness of the principal amount of the COVID-19 loan amounting to \$25,000.

**NOTE 6 – CAPITAL LEASE**

The Organization entered into lease agreements in 2020 and 2021 for two office copiers. The leases require total monthly payments of \$396 at an annual interest rate of 6.0%. The leases are scheduled to expire by August 2025.

The following is the schedule of annual future minimum lease payments due under the capital lease obligation at August 31, 2022:

Year ending August 31:		
	2023	\$ 5,568
	2024	5,568
	2025	5,331
Total minimum lease payments		<u>16,467</u>
Less amount representing interest		<u>(1,413)</u>
Present value of minimum lease payments		15,054
Less Capital lease obligation – short term		<u>(4,795)</u>
Capital lease obligation – long term		<u>\$ 10,259</u>

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**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

The activity for net assets with donor restrictions for the year ended August 31, 2022, is as follows:

	Beginning Balance	Additions	Releases	Ending Balance
<b>Purpose Restricted</b>				
Financial assistance	\$ 65,381	\$ 80,332	\$ (74,827)	\$ 70,886
Veterans assistance	-	38,745	(38,745)	-
<b>Time Restricted</b>				
Promises to give, net	513,419	100,000	(513,419)	100,000
Total	<u>\$ 578,800</u>	<u>\$ 219,077</u>	<u>\$ (626,991)</u>	<u>\$ 170,886</u>

The activity for net assets with donor restrictions for the year ended August 31, 2021, is as follows:

	Beginning Balance	Additions	Releases	Ending Balance
<b>Purpose Restricted</b>				
Financial assistance	\$ 41,048	\$ 53,983	\$ (29,650)	\$ 65,381
Veterans assistance	-	10,277	(10,277)	-
<b>Time Restricted</b>				
Promises to give, net	936,409	70,000	(492,990)	513,419
Total	<u>\$ 977,457</u>	<u>\$ 134,260</u>	<u>\$ (532,917)</u>	<u>\$ 578,800</u>

**NOTE 8 - IN-KIND DONATIONS**

The Organization received and recorded the following in-kind donations during the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
In-kind Expenses (Services, supplies)	\$ 20,659	\$ 45,783
Other	8,790	-
Debris boxes	40,350	-
Equipment	-	6,000
Building improvement	-	33,900
Donated auction items (included in special events)	70,797	23,631
Total	<u>\$ 140,596</u>	<u>\$ 109,314</u>

The in-kind donations benefited the Organization's program services and supporting services.

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**NOTE 9 - SPECIAL EVENTS**

The following table provides information about the Organization's special events for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Special Events		
Income	\$ 640,022	\$ 97,257
Expenses	(211,045)	(39,212)
Total Special Events, Net	<u>\$ 428,977</u>	<u>\$ 58,045</u>

**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, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Rental income	\$ 141,565	\$ 138,200
Animal care services	(75,816)	(75,816)
Net Rental Income	<u>\$ 65,749</u>	<u>\$ 62,384</u>

**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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 86,094	\$ 284,453
Accounts receivable	29,888	13,640
Promises to give, net	151,189	513,171
Investments	<u>2,255,577</u>	<u>2,529,528</u>
Total Financial Assets Available Within One Year	2,522,748	3,340,792
Less:		
Amounts unavailable for general expenditures within one year due to donor-imposed restrictions	<u>(70,886)</u>	<u>(65,381)</u>
Financial Assets available to Meet General Expenditures Within One Year	<u>\$ 2,451,862</u>	<u>\$ 3,275,411</u>

In the event the need arises to manage unanticipated liquidity needs, the Organization can establish a line of credit with its bank when needed.

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**NOTE 12- RELATED PARTY TRANSACTIONS**

The Organization paid \$25,989 to a board member for veterinary services during the year ended August 31, 2022. The Organization paid \$7,682 to a board member for veterinary services during the year ended August 31, 2021.

**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.

**NOTE 14 - SUBSEQUENT EVENTS**

The Organization has evaluated all subsequent events through June 15, 2023, the date the financial statements were available to be issued and concluded that there are no events that would require recording or disclosure in the financial statements except as noted below.

In May 2023, the Organization applied for the Employee Retention Tax Credit (ERTC or credit) with the Internal Revenue Service (IRS) for the amount of approximately \$340,000 related to prior payroll periods. The Organization has not yet received any communication from the IRS in regard to the status of the credit. The approval of any ERTC amount and the timing of when the refund will be received is uncertain at this time.