

**LOVELANE SPECIAL NEEDS
HORSEBACK RIDING PROGRAM, INC.**

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lovelane Special Needs Horseback Riding Program, Inc:

Opinion

We have audited the financial statements of Lovelane Special Needs Horseback Riding Program, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of Lovelane Special Needs Horseback Riding Program, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Lovelane Special Needs Horseback Riding Program, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lovelane Special Needs Horseback Riding Program, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Lovelane Special Needs Horseback Riding Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lovelane Special Needs Horseback Riding Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Nardello + Taylor LLP

November 17, 2022

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 942,780	\$ 768,599
Accounts receivable, net of allowance for doubtful accounts of \$0 in 2022 and 2021	30,173	23,775
Prepaid expenses and other current assets	138,300	126,172
Total current assets	1,111,253	918,546
Property and equipment:		
Land	880,452	880,452
Land improvements	1,092,500	1,092,500
Barn	1,369,387	1,369,387
House	673,207	673,207
Furniture and equipment	213,234	197,685
Horses	71,500	57,500
	4,300,280	4,270,731
Less accumulated depreciation	(2,315,319)	(2,159,196)
Net property and equipment	1,984,961	2,111,535
Long-term investments	7,202,135	8,163,619
Total assets	\$ 10,298,349	\$ 11,193,700
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 21,807	\$ 17,726
Accrued expenses	34,325	126,991
Deferred income	500,400	339,542
Total current liabilities	556,532	484,259
Net assets:		
Without donor restrictions:		
Board designated - Stanley Sabin Sustainability Fund	5,803,068	6,648,115
Board designated - Susan McDaniel Tuition Assistance Fund	1,121,133	1,132,052
Undesignated	2,430,356	2,540,210
Total net assets without donor restrictions	9,354,557	10,320,377
With donor restrictions	387,260	389,064
Total net assets	9,741,817	10,709,441
Total liabilities and net assets	\$ 10,298,349	\$ 11,193,700

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions and grants	\$ 579,326	\$ 193,500	\$ 772,826
Program service revenue	565,668	-	565,668
Special events revenue	33,121	-	33,121
In-kind contributions	8,590	-	8,590
Rental income	52,200	-	52,200
Investment income	181,583	-	181,583
Net realized and unrealized losses on investments	(1,143,623)	-	(1,143,623)
Net assets released from restriction	195,304	(195,304)	-
Total public support and revenue	472,169	(1,804)	470,365
Expenses:			
Program services	1,088,598	-	1,088,598
Fundraising	161,655	-	161,655
Management and general	187,736	-	187,736
Total expenses	1,437,989	-	1,437,989
Changes in net assets	(965,820)	(1,804)	(967,624)
Net assets, beginning of year	10,320,377	389,064	10,709,441
Net assets, end of year	\$ 9,354,557	\$ 387,260	\$ 9,741,817

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 498,444	\$ 118,030	\$ 616,474
Program service revenue	476,208	-	476,208
Special events revenue	34,183	-	34,183
In-kind contributions	1,599	-	1,599
Rental income	52,200	-	52,200
Investment income	79,910	-	79,910
Net realized and unrealized gains on investments	1,583,681	-	1,583,681
Loss on disposal of fixed assets	(11,900)	-	(11,900)
Net assets released from restriction	138,287	(138,287)	-
Total public support and revenue	<u>2,852,612</u>	<u>(20,257)</u>	<u>2,832,355</u>
Expenses:			
Program services	935,088	-	935,088
Fundraising	153,350	-	153,350
Management and general	181,839	-	181,839
Total expenses	<u>1,270,277</u>	<u>-</u>	<u>1,270,277</u>
Changes in net assets	1,582,335	(20,257)	1,562,078
Net assets, beginning of year	<u>8,738,042</u>	<u>409,321</u>	<u>9,147,363</u>
Net assets, end of year	<u>\$ 10,320,377</u>	<u>\$ 389,064</u>	<u>\$ 10,709,441</u>

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

Expenses	Program Services	Supporting Services		Total Expenses
		Fundraising	Management and General	
Salaries	\$ 463,144	\$ 105,861	\$ 92,629	\$ 661,634
Payroll taxes and benefits	107,732	24,624	21,546	153,902
Retirement plan expenses	7,117	1,627	1,423	10,167
Total personnel expenses	<u>577,993</u>	<u>132,112</u>	<u>115,598</u>	<u>825,703</u>
Tuition assistance	42,063	-	-	42,063
Facility maintenance, supplies and utilities	51,285	4,177	4,177	59,639
Horse care	188,313	-	-	188,313
Special events	-	11,383	-	11,383
Office expense	33,022	8,219	5,565	46,806
Travel	237	-	-	237
Insurance	38,244	2,554	2,362	43,160
Professional fees	34,870	3,131	26,561	64,562
Total expenses before depreciation	<u>966,027</u>	<u>161,576</u>	<u>154,263</u>	<u>1,281,866</u>
Depreciation and amortization	<u>122,571</u>	<u>79</u>	<u>33,473</u>	<u>156,123</u>
Total functional expenses	<u>\$ 1,088,598</u>	<u>\$ 161,655</u>	<u>\$ 187,736</u>	<u>\$ 1,437,989</u>

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

Expenses	Program Services	Supporting Services		Total Expenses
		Fundraising	Management and General	
Salaries	\$ 430,708	\$ 98,447	\$ 86,141	\$ 615,296
Payroll taxes and benefits	99,638	22,774	19,927	142,339
Retirement plan expenses	6,437	1,471	1,287	9,195
Total personnel expenses	<u>536,783</u>	<u>122,692</u>	<u>107,355</u>	<u>766,830</u>
Tuition assistance	53,196	-	-	53,196
Facility maintenance, supplies and utilities	39,330	6,656	6,656	52,642
Horse care	102,050	-	-	102,050
Special events	-	6,224	-	6,224
Office expense	40,518	7,400	5,395	53,313
Travel	248	-	-	248
Insurance	37,711	3,725	3,384	44,820
Professional fees	7,926	6,500	25,502	39,928
Total expenses before depreciation	<u>817,762</u>	<u>153,197</u>	<u>148,292</u>	<u>1,119,251</u>
Depreciation and amortization	<u>117,326</u>	<u>153</u>	<u>33,547</u>	<u>151,026</u>
Total functional expenses	<u>\$ 935,088</u>	<u>\$ 153,350</u>	<u>\$ 181,839</u>	<u>\$ 1,270,277</u>

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (967,624)	\$ 1,562,078
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of fixed assets	-	11,900
Depreciation and amortization	156,123	151,026
Net unrealized and realized losses (gains) on investments	1,143,623	(1,583,681)
Noncash contribution of financial assets	(78,316)	(7,223)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(6,398)	(23,177)
Increase in prepaid expenses and other current assets	(12,128)	(16,326)
Increase (decrease) in accounts payable	4,081	(130,807)
Decrease in accrued expenses	(92,666)	(66,050)
Increase in deferred income	160,858	159,267
Net cash provided by operating activities	307,553	57,007
Cash flows from investing activities:		
Purchases of investments	(1,059,756)	(764,206)
Proceeds from sale of investments	955,933	684,665
Proceeds from sale of property and equipment	-	15,100
Purchases of property and equipment	(29,549)	(65,895)
Net cash used in investing activities	(133,372)	(130,336)
Net increase (decrease) in cash and cash equivalents	174,181	(73,329)
Cash and cash equivalents at beginning of year	768,599	841,928
Cash and cash equivalents at end of year	\$ 942,780	\$ 768,599

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

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(1) Organization

Lovelane Special Needs Horseback Riding Program, Inc., (the “Organization”) is a nonprofit organization founded in 1992 to provide high-quality horseback riding therapy to children and young adults with special needs, focusing on occupational, physical, speech, and/or emotional therapeutic gains. Lovelane receives tuition income, grants and donations to subsidize tuition and other operating expenses. The Organization also holds fundraising events throughout the year. The Organization services children and young adults from the surrounding communities. Consequently, the Organization’s revenue and support are affected by economic fluctuations in the area.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements.

(b) Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to restrictions imposed by donors or certain grantors. Net assets without donor restrictions include board-designated funds. Board-designated funds are designated for specific purposes as determined by the Organization’s directors.

Net assets with donor restrictions - Net assets subject to restrictions imposed by donors or certain grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(c) Cash and Cash Equivalents

Short-term investments that are highly liquid, readily convertible into cash and have original maturities of three months or less when purchased are considered to be cash equivalents.

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(d) Accounts Receivable

Accounts receivable for lessons are recorded when billed. Receivables are stated at the amount management expects to collect from outstanding balances based on prior experience and includes a provision for doubtful accounts of \$0 at June 30, 2022 and 2021.

(e) Investments

The Organization reports investments at fair value. Fair value for investments classified as equity and debt securities that are listed or traded on a security exchange is determined using quoted closing market prices on the primary exchange where the security is traded on the last trading date of the Organization's fiscal year. The fair value of investments in alternative investments is determined based on the Organization's assessment of fair value information provided by the fund manager of the alternative investment vehicle.

(f) Property and Equipment

Property and equipment are stated at purchase cost or at fair market value at the date of donation. Amounts over \$2,000 with useful lives greater than one year are capitalized. Property and equipment are depreciated on a straight-line basis over the following estimated useful lives.

	<u>Years</u>
Land improvements	15 to 25
House and barn	25 to 27.5
Furniture and equipment	3 to 7
Horses	7

(g) Deferred Income

Deferred income represents billings or receivables for which the Organization's revenue recognition criteria have not been met.

(h) Revenue Recognition and Reporting

On July 1, 2020, the Organization adopted the new accounting standard ASC 606, *Revenue from Contracts with Customers* ("Topic 606"), using the modified retrospective method applied to those contracts that were not completed as of June 30, 2020. Results for reporting periods beginning after June 30, 2020 are presented under Topic 606. This adoption had no impact on the retained earnings as of June 30, 2020.

Under ASC 606, revenue from program services and rental income are recognized ratably as the services are performed. Revenues from special events are recognized at the time of the event.

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

The Organization reports gifts of cash and other assets as restricted support if they are accepted with stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization received contributed services in the form of volunteer labor and donations of goods, services and assets. Contributed services are recognized if they are performed by individuals using specialized skills.

Net realized and unrealized gains and losses and investment income are reported as changes in net assets without donor restrictions in the statement of activities, unless their use has been restricted by donors or state law. When a restriction exists, investment income and net unrealized and realized gains are allocated based on the total balance of pooled investments applicable to the respective asset totals. There were no restrictions on investment income and net realized and unrealized gains at June 30, 2022 and 2021. The Organization's policy is to sell donated securities when received.

(i) Income Taxes

The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the guidance issued by the Financial Accounting Standards Board (FASB) relating to accounting for uncertain income tax positions, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return and could result in additional disclosure. Management believes there are no material uncertain tax positions that require disclosure in the accompanying financial statements.

The Organization files tax returns in the U.S. federal jurisdiction as well as in Massachusetts. The Organization has a policy to record interest and penalties (if any) related to income tax expense matters in income tax expense.

(j) Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable, and contributions receivable. The Organization places its temporary cash investments with creditworthy, high quality financial institutions.

The Organization maintains its cash balances and certificates of deposit in two savings banks located in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures interest-bearing deposits up to \$250,000 per bank. Amounts over this amount are insured by the Depositors Insurance Fund (DIF).

One donor represented 10.2% of the Organization's public support for the year ended June 30, 2021.

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(l) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Expenses that are common to several programs or supporting services are allocated on a reasonable basis that is consistently applied. Salaries and employee benefits are allocated based on estimated time and effort. Payroll taxes are allocated as a percentage of salaries. Facility expenses, depreciation, office expenses, and insurance are all allocated using estimated percentages, based on personnel usage.

(m) Adoption of New Accounting Guidance

During the year ended June 30, 2021, the Organization implemented ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASC 606 sets forth a new revenue recognition model that requires identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognizing the revenue upon satisfaction of performance obligations. The Organization adopted the provisions of ASU 2014-09 and related subsequently issued amendments beginning on July 1, 2020.

During the year ended June 30, 2021, the Organization implemented ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and improves the scope and accounting guidance for contributions received and made. The amendments of this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU was effective for the Organization's 2021 fiscal year and the Organization adopted the standard as of July 1, 2020 on a modified retrospective basis. This guidance did not have an impact on the Organization's financial statements and related disclosures.

During the year ended June 30, 2022, the Organization implemented ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides new presentation and disclosure requirements for contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurements requirements for those assets.

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(n) New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. This update is effective for private companies for periods beginning after December 15, 2021. The Company is in the process of evaluating the guidance and the impact it will have on its financial statements.

(3) Liquidity and Availability

The Organization regularly monitors the availability of resources to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing horseback riding therapy to children and young adults with special needs, as well as general and administrative and fundraising costs.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 942,780	\$ 768,599
Accounts receivable	30,173	23,775
Prepaid expenses and other current assets	<u>138,300</u>	<u>126,172</u>
	<u>\$ 1,111,253</u>	<u>\$ 918,546</u>

In addition to financial assets available to meet general expenditures within one year of the balance sheet, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses.

The Organization's governing board may make an annual appropriation of up to 4% of the fair value of the investments for general expenditures in the next 12-month period. No funds were appropriated for the 2023 fiscal year as of June 30, 2022. The board may, at its discretion, approve appropriations from investments during the year, in order to meet the Organization's operating needs.

(4) Fair Value Measurements

The Organization follows the guidance of FASB ASC 820 *Fair Value Measurements and Disclosures* for its financial assets and liabilities. ASC 820 refines the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants. The standard requires the use of market-based information over entity-specific information, when available, and establishes a three-level

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

hierarchy for measuring fair value based on whether the inputs to a fair value measurement are considered to be observable or unobservable in an active marketplace.

The hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 – Quoted market prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

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

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

Money Market Funds: The fair value of money market funds is based on quoted net asset values at the end of the business day. The net asset values are based on closing prices reported in the active market in which the underlying securities are traded. Due to the short-term nature of the investments, the fair value is expected to approximate cost.

Institutional Mutual Funds: The fair value of mutual funds is based on quoted net assets values of the shares held at the end of the business day. The net asset values are based on the closing prices reported in the active market in which the underlying securities are traded.

Exchange Traded Mutual Funds: The fair value of exchange traded mutual funds is based on quoted net assets values of the shares held at the end of the business day.

Corporate Bonds and Common Stock: The fair value of corporate bonds and common stock are based on the closing prices reported in the active market in which the individual securities are traded.

Alternative Investments: The fair value of alternative investments are determined based on the Organization's assessment of fair value information provided by the fund manager of the alternative investment vehicle.

LOVELANE SPECIAL NEEDS HORSEBACK RIDING PROGRAM, INC.

Notes to Financial Statements

June 30, 2022 and 2021

The following tables summarize the Organization's financial assets measured at fair value on a recurring basis in accordance with FSB ASC 820-10 as of June 30, 2022 and 2021:

<u>June 30, 2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents:				
Money market funds	\$ 329,830	\$ -	\$ 329,830	\$ -
Investments:				
Money market funds	76,924	-	76,924	-
Common stock	11,460	11,460	-	-
Exchange traded mutual funds	4,635,722	4,635,722	-	-
Institutional mutual funds	2,003,579	-	2,003,579	-
Corporate bonds	148,829	148,829	-	-
Alternative investments	325,621	-	-	325,621
Subtotal: Investments	<u>7,202,135</u>	<u>4,796,011</u>	<u>2,080,503</u>	<u>325,621</u>
 Total financial assets at fair value	 <u>\$ 7,531,965</u>	 <u>\$ 4,796,011</u>	 <u>\$ 2,410,333</u>	 <u>\$ 325,621</u>
<u>June 30, 2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents:				
Money market funds	\$ 329,535	\$ -	\$ 329,535	\$ -
Investments:				
Money market funds	94,314	-	94,314	-
Common stock	10,809	10,809	-	-
Exchange traded mutual funds	4,830,318	4,830,318	-	-
Institutional mutual funds	3,060,373	-	3,060,373	-
Corporate bonds	167,805	167,805	-	-
Subtotal: Investments	<u>8,163,619</u>	<u>5,008,932</u>	<u>3,154,687</u>	<u>-</u>
 Total financial assets at fair value	 <u>\$ 8,493,154</u>	 <u>\$ 5,008,932</u>	 <u>\$ 3,484,222</u>	 <u>\$ -</u>

Alternative investments include investments in limited partnerships for which values have been estimated by the general partner in the absence of readily ascertainable market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and differences could be material.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

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Notes to Financial Statements

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ -	\$ 232,839
Purchases and sales, net	305,969	(252,442)
Realized and unrealized gains, net	<u>19,652</u>	<u>19,603</u>
Balance at end of year	<u>\$ 325,621</u>	<u>\$ -</u>

(5) Line of Credit

In December 2016, the Organization obtained a revolving line of credit with a bank with a maximum borrowing amount of \$150,000. The loan has an interest rate of prime plus 0.5%, which resulted in an effective rate of 5.25% and 3.75% at June 30, 2022 and 2021, respectively. The loan is secured by substantially all assets of the Organization. There is no specified expiration date on the loan. The balance outstanding on the loan was \$0 at June 30, 2022 and 2021. There was no interest incurred on the loan during the years ended June 30, 2022 and 2021.

(6) PPP Loan

In January 2021, the Organization was granted a PPP note from a bank in the amount of \$114,910. This note matures in January 2026 and bears interest at a rate of 1% per annum, payable monthly commencing on the date required under CARES Act. The Loan is guaranteed by the SBA and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, up to the full amount of principal and accrued interest may be forgiven if the funds are used for qualifying expenses. The Organization used the entire amount of the Note for qualifying expenses during the year ended June 30, 2021 and elected to recognize it as grants in the Organization's statement of activities and changes in net assets for the year ended June 30, 2021. The principal and interest were forgiven by the bank in July 2021.

(7) Employee Retention Tax Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization received \$33,015 in April 2022 for 2020 Form 941 Employer Quarterly Federal Tax Return refund payments for the quarter ending June 30, 2020. In accordance with FASB ASC 958-605, *Not-for-profit (NFP) Entities – Revenue Recognition*, the Organization recognized the refund as contributions and grants in the Organization's statement of activities and changes in net assets for the year ended June 30, 2022.

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(8) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	2022	2021
Purpose restrictions:		
Tuition assistance	\$ -	\$ 1,804
	-	1,804
Endowments:		
Stanley Sabin Sustainability Fund	387,260	387,260
	387,260	387,260
 Total net assets with donor restrictions	 \$ 387,260	 \$ 389,064

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or the passage of time or other events specified by the donors were as follows for the years ended June 30:

	2022	2021
Time restrictions	\$ 153,500	\$ 63,030
Other purpose restrictions	-	8,761
Tuition assistance	41,804	53,196
Horse care and purchases	-	13,300
	\$ 195,304	\$ 138,287

(9) Endowment

The Organization's endowment consists of one fund, The Stanley Sabin Sustainability Fund, which was established to provide the Organization with income to offset operating expenses. A small part of the fund includes funds that were accepted with permanent restrictions, which are classified as net assets with donor restrictions in the financial statements. The remainder of the fund is board-designated and categorized as net assets without donor restrictions in the financial statements.

Interpretation of Relevant Law

The State of Massachusetts enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation,

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the Organization classifies as net assets with permanent donor restrictions (a) the original value of gifts donated to the endowment that were accepted as permanently restricted, (b) the original value of subsequent gifts to the fund that were accepted as permanently restricted and (c) any accumulations described in clauses (a) and (b) made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the restricted funds that is not classified in net assets with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate restricted funds: (1) the duration and preservation of the fund, (2) the purposes of the restricted fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The following represents the net asset classes of the Stanley Sabin Sustainability Fund as of and for the years ended June 30, 2022 and 2021:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,803,068	\$ -	\$ 5,803,068
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	387,260	387,260
Total endowment net assets	<u>\$ 5,803,068</u>	<u>\$ 387,260</u>	<u>\$ 6,190,328</u>
June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,648,115	\$ -	\$ 6,648,115
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	387,260	387,260
Total endowment net assets	<u>\$ 6,648,115</u>	<u>\$ 387,260</u>	<u>\$ 7,035,375</u>

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The following represents the changes in the Stanley Sabin Sustainability Fund as of and for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020	\$ 5,149,935	\$ 387,260	\$ 5,537,195
Additions to board designated funds	11,290	-	11,290
Investment return:			
Interest and dividends	63,178	-	63,178
Net realized and unrealized gains	<u>1,423,712</u>	<u>-</u>	<u>1,423,712</u>
June 30, 2021	6,648,115	387,260	7,035,375
Additions to board designated funds	2,875	-	2,875
Investment return:			
Interest and dividends	160,068	-	160,068
Net realized and unrealized losses	<u>(1,007,990)</u>	<u>-</u>	<u>(1,007,990)</u>
June 30, 2022	<u>\$ 5,803,068</u>	<u>\$ 387,260</u>	<u>\$ 6,190,328</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for The Stanley Sabin Sustainability Fund assets that attempt to provide a predictable stream of funding to programs supported by the fund while seeking to maintain the purchasing power of those assets over the long-term. Under this policy, as approved by the Board of Directors, the fund's assets are invested in a manner that is intended to achieve a return objective through diversification of asset classes. The Organization expects its funds, over time, to provide an average rate of return of 6% before adjusting for inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of 60% equities, 28% fixed income, and 12% alternative strategies to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's plan is to draw up to 4% per year for operating purposes if necessary.

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(10) Susan McDaniel Tuition Assistance Fund

The Susan McDaniel Tuition Assistance Fund was established as a separate money market or investment account with the available funds maintained at a level to provide for the maximum allowable tuition assistance awards to selected Lovelane students who demonstrate a financial need for tuition assistance. Susan McDaniel tuition assistance may be awarded to one or more students each semester and during the summer sessions as deemed appropriate by the staff responsible for making tuition assistance decisions. The amount available for scholarships is up to 2.5% of the fund assets per year, based on a review of the past year's investment performance by the Finance Committee. Additional funds are added to the Susan McDaniel Tuition Assistance Fund from gifts made 'in honor of' or 'in memory of' Susan McDaniel. Annual tuition assistance will continue to be awarded until the balance of the fund is expended or until such time as it is determined by the Finance Committee that the balance of the funds are to be expended and the Fund terminated. Restricted contributions are classified as net assets with donor restrictions until they are used to make tuition assistance awards. During the years ended June 30, 2022 and 2021, the Board of Directors designated \$103,953 and \$180,539 to this fund, respectively. These board designated net assets are classified as net assets without donor restrictions on the statement of financial position.

(11) Related Party Transactions

The Organization has tenancy at will lease agreements with employees of the Organization who live in the residence located at 40A Baker Bridge Road, Lincoln, Massachusetts. During the years ended June 30, 2022 and 2021, the Organization collected \$9,000 in rental income and utility reimbursements under these agreements.

The Organization had an accrued liability of \$225,000 related to an employment agreement with its Founding Director, which was entered into in July 2019 and was payable in three equal annual installments of \$75,000 beginning in January 2020. The accrued liability was \$0 and \$75,000 at June 30, 2022 and 2021, respectively.

(12) Leases

In June 2017, the Organization entered into a sublease agreement with an unrelated party for a portion of its facilities that commenced on July 1, 2018. Under the terms of the lease, monthly payments of \$3,600 were required through the expiration date of the lease in June 2019. The lease was extended at various points since June 2017 and now expires in June 2023 at the same monthly payment rate. Rental income recognized as a result of the lease totaled \$43,200 during the years ended June 30, 2022 and 2021.

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The future minimum rental income under the sublease agreement is as follows for the years ending:

June 30, 2023	\$	43,200
Thereafter		-
		\$ 43,200

(13) Contributed Nonfinancial Assets

For the years ending June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions
Barn supplies and equipment	\$ 7,510	\$ -
Special event supplies	200	-
Other	880	-
Total contributed nonfinancial assets, at fair value	\$ 8,590	\$ -

June 30, 2021	Without Donor Restrictions	With Donor Restrictions
Other	\$ 1,599	\$ -
Total contributed nonfinancial assets, at fair value	\$ 1,599	\$ -

The Organization receives contributed goods for various fundraising events, as well as horses and other supplies and professional services. In valuing contributed goods and supplies, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. These in-kind contributions have been recorded in the statements of activities as both support and expense at their fair estimated value of \$8,590 and \$1,599 for the years ended June 30, 2022 and 2021, respectively.

The Organization receives contributed services from a variety of unpaid volunteers assisting the Organization in their operations. No amounts have been recognized in the accompanying statements of activities because they do not involve specialized skills.

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(14) Retirement Plans

During the year ended June 30, 2010, the Organization established a nonqualified deferred compensation plan under Section 457(b) of the Internal Revenue Code for the benefit of its Founding Director. Tax deferred contributions to the Plan are limited to the amount allowed by the Internal Revenue Code. There were no contributions for the years ended June 30, 2022 and 2021, respectively.

The Organization has a retirement plan under Section 401(k) of the Internal Revenue Code for the benefit of all employees that are at least 21 years of age and are active employees on the last day of the plan year. Effective July 1, 2013, the Organization began matching 100% of employee contributions up to 2% of the individual's salary, up to a maximum of \$1,500 per employee. Employer contributions were \$10,067 and \$9,095 for the years ended June 30, 2022 and 2021, respectively. Employees are vested in employer matching contributions over a 6-year graded scale. Plan loans are not allowed. Employee tax deferred contributions are limited to the amount allowed by the Internal Revenue Code.

(15) Subsequent Events

The Organization has evaluated all subsequent events through November 17, 2022, the date the financial statements were available to be issued. The Organization has determined there were no material events or transactions that require adjustment or disclosure to the financial statements.