

EQUUS FOUNDATION, INC.

Financial Statements

for the years ended
August 31, 2018 and 2017

EQUUS FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
EQUUS Foundation, Inc.

We have audited the accompanying financial statements of the EQUUS Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EQUUS Foundation, Inc. as of August 31, 2018 and 2017, 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.

Sabel & Oplinger

Sabel & Oplinger, CPA, PC
Southampton, New York

November 2, 2018

EQUUS FOUNDATION, INC.

Statements of Financial Position

	August 31	
	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents:		
Unrestricted	\$ 302,655	\$ 259,616
Restricted	-	16,575
Investments in marketable securities	74,937	150,977
Accounts receivable	5,500	31,450
Accrued interest receivable	219	737
Prepaid expenses	<u>4,056</u>	<u>12,351</u>
Total Current Assets	<u>387,367</u>	<u>471,706</u>
Fixed assets, net	<u>478</u>	<u>4,299</u>
Other Assets		
Investments in partnerships	<u>66</u>	<u>22,798</u>
Total Assets	<u>\$ 387,911</u>	<u>\$ 498,803</u>
Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 167,025	\$ 195,070
Accounts payable and accrued expenses	<u>2,185</u>	<u>1,465</u>
Total Current Liabilities	<u>169,210</u>	<u>196,535</u>
Net Assets		
Unrestricted		
Undesignated	218,701	285,693
Board designated	-	-
Temporarily restricted	<u>-</u>	<u>16,575</u>
Total Net Assets	<u>218,701</u>	<u>302,268</u>
Total Liabilities and Net Assets	<u>\$ 387,911</u>	<u>\$ 498,803</u>

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EQUUS FOUNDATION, INC.

Statements of Activities

for the years ended

	Unrestricted		Temporarily Restricted	August 31	
	Undesignated	Board Designated		2018	2017
Revenues					
Donations and grants	\$ 223,645	\$ -	\$ -	\$ 223,645	\$ 260,634
Events	177,032	-	-	177,032	199,080
Investment income	3,280	-	-	3,280	5,056
Unrealized gain (loss) on investments	10,902	-	-	10,902	(1,594)
Unrealized gain on partnership investments	(59)	-	-	(59)	-
Realized gains (losses)	11,979	-	-	11,979	6,115
Designation of operating funds	(60,000)	60,000	-	-	-
Use of designated funds	60,000	(60,000)	-	-	-
Release from restrictions	<u>16,575</u>	<u>-</u>	<u>(16,575)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>443,354</u>	<u>-</u>	<u>(16,575)</u>	<u>426,779</u>	<u>469,291</u>
Expenses					
Program services	373,408	-	-	373,408	431,636
Supporting services:					
Management and general	26,823	-	-	26,823	29,797
Fundraising	109,615	-	-	109,615	109,763
Loss on sale of equipment	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total Expenses	<u>510,346</u>	<u>-</u>	<u>-</u>	<u>510,346</u>	<u>571,196</u>
Change in Net Assets	(66,992)	-	(16,575)	(83,567)	(101,905)
Net Assets, beginning of year	<u>285,693</u>	<u>-</u>	<u>16,575</u>	<u>302,268</u>	<u>404,173</u>
Net Assets, end of year	<u>\$ 218,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,701</u>	<u>\$ 302,268</u>

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EQUUS FOUNDATION, INC.

Statements of Functional Expenses

for the years ended

	Program Services	Management and General	Fundraising	August 31	
				2018	2017
Grants awarded	\$ 213,847	\$ -	\$ -	\$ 213,847	\$ 207,375
Communication and Education	15,061	-	-	15,061	18,051
Management fee	141,000	7,499	39,500	187,999	225,000
Occupancy	3,500	1,501	5,000	10,001	14,957
Fairfield Horse Show	-	-	33,980	33,980	36,400
WEF Fete Cheval	-	-	18,505	18,505	28,778
Marketing	-	-	-	-	6,490
Campaign expenses	-	-	12,630	12,630	16,538
Professional fees	-	12,250	-	12,250	12,000
Insurance	-	1,390	-	1,390	1,355
Depreciation	-	2,320	-	2,320	2,989
Office expenses	-	1,863	-	1,863	1,263
Total Expenses	<u>\$ 373,408</u>	<u>\$ 26,823</u>	<u>\$ 109,615</u>	<u>\$ 509,846</u>	<u>\$ 571,196</u>

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EQUUS FOUNDATION

Statements of Cash Flows

for the years ended

	<u>August 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Cash Flow from Operating Activities:</u>		
Change in Net Assets	\$ (83,567)	\$ (101,905)
Adjustment to reconcile the change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	2,320	2,989
Unrealized investment (gains) losses	(10,902)	1,594
Realized investment (gains) losses	11,942	(5,413)
Partnership (income), net	(23,827)	-
Loss on sale of equipment	500	-
(Increase) Decrease in:		
Accounts receivable	25,950	(25,950)
Accrued interest receivable	518	235
Prepaid expenses	8,294	(10,549)
Increase (Decrease) in:		
Grants payable	(19,190)	8,855
Accounts payable and accrued expenses	<u>(8,135)</u>	<u>(16,675)</u>
Net Cash (Used) by Operating Activities	<u>(96,097)</u>	<u>(146,819)</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds on sale of partnerships	46,561	11,474
Proceeds on sale of equipment	1,000	-
Sales of investments	<u>75,000</u>	<u>100,000</u>
Net Cash Provided by Investing Activities	<u>122,561</u>	<u>111,474</u>
Net Increase (Decrease) in Cash and Cash Equivalents	26,464	(35,345)
Cash and Cash Equivalents, beginning of year	<u>276,191</u>	<u>311,536</u>
Cash and Cash Equivalents, end of year	<u>\$ 302,655</u>	<u>\$ 276,191</u>

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EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2018

Note 1 - Nature of Organization

EQUUS Foundation, Inc. (the Organization) was incorporated under the laws of the State of Connecticut in 2002 and operates as a publicly supported nonprofit organization under the DBA of Horse Charities of America. The mission is to improve the quality of life of horses, enable the therapeutic use of horses for those with special needs, foster the horse-human bond, and educate the public on the horse's unique ability to empower, teach and heal.

Note 2 - Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 2, 2018, the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. For the year ended August 31, 2017 the organization had both unrestricted and temporarily restricted net assets while the year ended August 31, 2018 had only unrestricted net assets.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2018

Note 3 - Continued

Investments

Investments in marketable securities, money markets and certificates of deposits are reported at their fair values in the statement of financial position. Investment income and any realized and unrealized gains and losses are included in the statement of activities. Investments received through donations are recorded at fair market value at the date of donation.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time relating to the activities of the Organization. The value of this contributed time is not reported in these financial statements, as it does not meet the criteria for recognition.

In Kind Donations

In kind donations are recorded at fair value at the date of donation. For the years ended August 31, 2018 and 2017, there were no in-kind donations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Property, Equipment and Depreciation

Expenditures for property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturity of three months or less to be cash equivalents, including restricted funds.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or other expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2018

Note 3 - Continued

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of August 31, 2018 and 2017, there are no accounts receivable allowances and no accounts have been written off for the years then ended.

Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization deposits its cash and cash equivalents with what it believes to be quality financial institutions and at times during the year the balances have exceeded the federally insured limits. The Organization believes no significant concentration of credit risk exists with respect to its cash and cash equivalents.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated to the programs and supporting services benefited.

Summarized Financial Information for the Year Ended August 31, 2017

The financial statements include prior year summarized comparative information in total but not by net asset class in the Statement of Activities and Functional Expenses. Such information does not include sufficient detail to constitute a presentation in conformity with United States generally accepted accounting principles. Accordingly, such information should only be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Note 4 - Tax Exempt Status

The Organization has been classified by the Internal Revenue Service as a publicly supported tax-exempt charity pursuant to IRC Section 501 (c) (3) and as a not-for-profit corporation under the laws of the State of Connecticut. Accordingly, no provision for Federal or State income taxes is required. As of August 31, 2018, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the year 2014 and forward are subject to the usual review by the appropriate taxing authorities.

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2018

Note 5 - Investments

Marketable Securities

Fair values for investments are determined by reference to quoted market prices for similar investments, yield curves, and other relevant information. There were no changes in valuation techniques in the year ended August 31, 2018. The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended August 31, 2018.

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

The Organization's investments consist of corporate bonds (Level 1) and a certificate of deposit (Level 2) and are as follows as of August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ 24,962	\$ -	\$ -	\$ 24,962
Certificate of deposit	-	49,975	-	49,975
Total	<u>\$ 24,962</u>	<u>\$ 49,975</u>	<u>\$ -</u>	<u>\$ 74,937</u>

The relationship between carrying values and fair values of investments as of August 31, 2018, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Balance, beginning of year	\$ 162,241	\$ 150,977	\$ (11,264)
Balance, end of year	75,299	74,937	<u>(362)</u>
Change in unrealized gains/(losses)			<u>\$ 10,902</u>

See Independent Auditors' Report

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2018

Note 5 - Continued

Partnerships

Investments in partnerships shown in the statements of financial position represent a bequest received in 2015 that is reported at their fair values in the statement of financial position. These partnership investments are measured using Level 3 inputs, which are defined as unobservable inputs for the asset or liability. Inputs were developed using the best information available in the circumstance. Unrealized gains and losses are included in the statement of activities. The organization has sold three of the four partnerships and is in the process of selling the last investment as they are not related to the mission.

Note 6 - Fixed assets are summarized as follows:

	<u>August 31</u>	
	<u>2018</u>	<u>2017</u>
Equipment	\$ 8,787	\$ 16,967
Web site development	2,500	2,500
Less: Accumulated depreciation and amortization	<u>(10,809)</u>	<u>(15,168)</u>
Net Property and Equipment	<u>\$ 478</u>	<u>\$ 4,299</u>

Note 7- Board Designated Net Assets

In 2015, the board designated \$370,000 towards a three-year infrastructure development plan to ensure the sustainability of the organization. Additional funds of \$60,000 were designated in December 2016 as the development plan was extended. All funds have been expended as follows:

Original Designated Funds	\$ 370,000
Additional Designation	60,000
Less: Operating Losses-	
Year Ended 8/31/2015	(126,625)
Year Ended 8/31/2016	(123,375)
Year Ended 8/31/2017	(120,000)
Year Ended 8/31/2018	<u>(60,000)</u>
Balance of Designated Funds at 8/31/2018	<u>\$ -</u>

Note 8 - Temporarily Restricted Net Assets

Donors contributed a total of \$16,575 as of August 31, 2017 to the Horse Whisperer program which was temporarily restricted for use in the year ending August 31, 2018. The funds were fully expended in the year ended August 31, 2018.

Note 9 - Related Party Transactions

Members of the Board of Directors have provided financial support to the Organization in the amounts of \$56,252 and \$57,640 for the years ended August 31, 2018 and 2017 respectively.

See Independent Auditors' Report