

EQUUS FOUNDATION, INC.

Financial Statements

for the years ended
August 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 and Oplinger

Sabel & Oplinger, CPA, PC
Southampton, New York

December 9, 2020

EQUUS FOUNDATION, INC.

Statements of Financial Position

	<u>August 31</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 247,937	\$ 295,699
Investments in marketable securities	257,181	253,670
Accounts receivable	6,300	10,881
Donated inventory	691,122	559,943
Prepaid expenses	<u>2,747</u>	<u>6,303</u>
Total Current Assets	<u>1,205,287</u>	<u>1,126,496</u>
Fixed assets, net	<u>-</u>	<u>142</u>
 Total Assets	 <u>\$ 1,205,287</u>	 <u>\$ 1,126,638</u>
 Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 118,450	\$ 241,170
Accounts payable and accrued expenses	<u>1,431</u>	<u>7,070</u>
Total Current Liabilities	<u>119,881</u>	<u>248,240</u>
Net Assets		
Without donor restrictions	394,284	318,455
With donor restrictions	<u>691,122</u>	<u>559,943</u>
Total Net Assets	<u>1,085,406</u>	<u>878,398</u>
 Total Liabilities and Net Assets	 <u>\$ 1,205,287</u>	 <u>\$ 1,126,638</u>

See Independent Auditors' Report and
Notes to Financial Statements

EQUUS FOUNDATION, INC.

Statements of Activities

for the years ended

	Without Donor Restrictions	With Donor Restrictions	August 31	
			2020	2019
Revenues				
Donations and grants	\$ 427,246	\$ -	\$ 427,246	\$ 450,439
In-kind donation – original inventory donation	-	-	-	506,960
In-kind donation – inventory	-	371,835	371,835	189,255
Events	156,020	-	156,020	179,446
Investment income	3,535	-	3,535	4,729
Unrealized gain (loss) on investments	53	-	53	421
Realized gains (losses) on investments	(101)	-	(101)	(298)
Realized gain on donated partnership investments	-	-	-	4,007
Release from restrictions	<u>240,656</u>	<u>(240,656)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>827,409</u>	<u>131,179</u>	<u>958,588</u>	<u>1,334,959</u>
Expenses				
Program services:				
Awards of donated inventory	240,656	-	240,656	136,272
Awards and scholarships	260,715	-	260,715	269,160
Other program related expenses	128,563	-	128,563	113,805
Supporting services:				
Management and general	23,700	-	23,700	24,699
Fundraising	<u>98,946</u>	<u>-</u>	<u>98,946</u>	<u>131,326</u>
Total Expenses	<u>751,580</u>	<u>-</u>	<u>751,580</u>	<u>675,262</u>
Change in Net Assets	75,829	131,179	207,008	659,697
Net Assets, beginning of year	<u>318,455</u>	<u>559,943</u>	<u>878,398</u>	<u>218,701</u>
Net Assets, end of year	<u>\$ 394,284</u>	<u>\$ 691,122</u>	<u>\$ 1,085,406</u>	<u>\$ 878,398</u>

See Independent Auditors' Report and
Notes to Financial Statements

EQUUS FOUNDATION INC.

Statements of Functional Expenses

for the years ended

August 31

	Program	Management and General	Fundraising	2020	2019
Awards of donated inventory	\$ 240,656	\$ -	\$ -	\$ 240,656	\$ 136,272
Awards and scholarships	260,715	-	-	260,715	269,160
Communication and education	22,926	-	-	22,926	18,315
Management fee	99,375	6,000	52,850	158,225	134,450
Occupancy	3,500	1,500	5,000	10,000	10,000
Fairfield Horse Show expenses	-	-	378	378	32,436
WEF Fete Cheval expenses	-	-	24,359	24,359	16,521
Wild About Horses expenses	-	-	-	-	23,124
Horsepower Gala expenses	-	-	2,927	2,927	-
Campaigne expenses	-	-	13,432	13,432	15,855
Professional fees	-	13,750	-	13,750	12,250
Insurance	-	1,591	-	1,591	1,390
Depreciation	-	142	-	142	337
Office expenses	2,762	(283)	-	2,479	5,152
Total Expenses	<u>\$ 629,934</u>	<u>\$ 22,700</u>	<u>\$ 98,946</u>	<u>\$ 751,580</u>	<u>\$ 675,262</u>

See Independent Auditors' Report and
Notes to Financial Statements

EQUUS FOUNDATION

Statements of Cash Flows

for the years ended

	<u>August 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Cash Flow from Operating Activities:</u>		
Change in Net Assets	\$ 207,008	\$ 659,697
Adjustment to reconcile the change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	142	337
Unrealized investment (gains) losses	(53)	(421)
In-kind donations – original inventory donation	-	(506,960)
In-kind donations – inventory	(371,835)	(189,255)
Awards of donated inventory	240,656	136,272
Realized investment (gains) losses	101	298
Partnership (income), realized (gains)	-	(4,007)
 (Increase) Decrease in:		
Accounts receivable	4,581	(5,381)
Accrued interest receivable	-	218
Prepaid expenses	3,556	(2,247)
 Increase (Decrease) in:		
Grants payable	(122,720)	54,955
Accounts payable and accrued expenses	(5,639)	24,075
Net Cash (Used) Provided by Operating Activities	<u>(44,203)</u>	<u>167,581</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds on sale of partnerships	-	4,073
Purchases of investments	(11,114)	(253,910)
Proceeds on sales of investments	7,555	75,300
Net Cash (Used) by Investing Activities	<u>(3,559)</u>	<u>(174,537)</u>
Net (Decrease) in Cash and Cash Equivalents	(47,762)	(6,956)
Cash and Cash Equivalents, beginning of year	<u>295,699</u>	<u>302,655</u>
Cash and Cash Equivalents, end of year	<u>\$ 247,937</u>	<u>\$ 295,699</u>
 Supplemental Information:		
Cash paid(refunded) for tax payments	\$ (522)	\$ 2,799
In-kind donations – original inventory donation	-	506,960
In-kind donations – inventory	371,835	189,255
Awards of donated inventory	240,656	136,272

See Independent Auditors' Report and
Notes to Financial Statements

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

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 protect America's horses and strengthen the horse-human bond.

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 December 9, 2020, 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.

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The organization has adjusted the presentation of these statements accordingly.

The organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. No significant changes resulted in comparison with the prior year.

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 have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the organization to report information regarding its financial position and activities according to the following net asset classifications:

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

Note 3 - Continued

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management may make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the revenue and expenses during the reported periods. Accordingly, actual results could differ from those estimates.

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.

Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash. The Organization deposits its cash 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.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

Note 3 - Continued

Accounts Receivable

Accounts receivable are stated at the amount 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 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. Management has deemed that no allowance is necessary for the two years ending August 31, 2020 and 2019.

Inventory

All inventory has been donated to the Organization and is valued at the fair market value on the date of donation. Inventory is held until awarded to individuals and organizations in need of equestrian related clothing and equipment.

Property, Equipment and Depreciation

The 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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Donations and Services

In-kind donations are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses. In-kind donations consist solely of donated equestrian equipment and clothing that are included in inventory and are held until awarded.

A substantial number of volunteers have made significant contributions of their time in furtherance of the organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

See Independent Auditors' Report

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

Note 3 - Continued

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Management fees	Percentage of time spent
Occupancy	Percentage of square footage
Allocated office expenses	Percentage of time spent

Summarized Financial Information for 2019

The financial statements include prior year summarized comparative information in total but not by net asset class in the Statement of Activities. In addition, prior year expenses are shown by natural expenses on the Statement of Functional Expenses and only in total by functional expense. 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, 2019, from which the summarized information was derived.

Note 4 - Availability and Liquidity

The following represents the organization's financial assets as of:

	<u>August 31</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 247,937	\$ 295,699
Investments	257,181	253,670
Accounts receivable	<u>6,300</u>	<u>10,881</u>
Total Financial Assets	<u>\$ 511,418</u>	<u>\$ 560,250</u>
Less financial assets not available to be used within one year:		
Financial assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$ 511,418</u>	<u>\$ 560,250</u>

The organization maintains financial assets to meet operating expenses. As part of its liquidity plan, excess cash, if any, is invested in short-term investments, including money market accounts and mutual funds.

See Independent Auditors' Report

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

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, 2020. 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, 2020.

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 mutual funds (Level 1) and are as follows as of August 31, 2020:

	Carrying Value	Fair Value	Unrealized Gain (Loss)
Balance, beginning of year	\$ 253,602	\$ 253,670	\$ 68
Balance, end of year	257,060	257,181	<u>121</u>
Change in unrealized gains/(losses)			<u>\$ 53</u>

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

Note 6 - Fixed assets are summarized as follows:

	<u>August 31</u>	
	<u>2020</u>	<u>2019</u>
Equipment	\$ 8,787	\$ 8,787
Web site development	2,500	2,500
Less: Accumulated depreciation and amortization	<u>(11,287)</u>	<u>(11,145)</u>
Net Property and Equipment	<u>\$ -</u>	<u>\$ 142</u>

Note 7 - Net Assets

Net assets with donor restrictions consist of donated equestrian related clothing and equipment less items awarded to individuals and organizations in need. Net assets with donor restrictions are as follows at August 31, 2020:

Specific Purpose:	
Rider's Closet	\$691,122

Net assets without donor restrictions are as follows at August 31, 2020:

Undesignated	\$394,284
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Net assets released from net assets with donor restrictions are as follows at August 31, 2020:

Specific Purpose:	
Rider's Closet	\$240,656

Note 8 - 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, 2020, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the year 2016 and forward are subject to the usual review by the appropriate taxing authorities.

Note 9 - Related Party Transactions

Members of the Board of Directors have provided financial support to the Organization in the amounts of \$21,450 and \$32,185 for the years ended August 31, 2020 and 2019 respectively.

EQUUS FOUNDATION, INC.

Notes to Financial Statements

August 31, 2020

Note 10 - Related Party

The Kevin Babington Foundation, a Delaware non-stock non-profit organization entered into an affiliate agreement on October 23, 2019 with the EQUUS Foundation Inc. A group exemption request was sent to the IRS in November 2019 and the status is pending as of the date of the financial statements. As the group extension is still pending, the Organization accepted a donation of \$23,630 on behalf of the Foundation and sent a check to the Foundation for the same amount.

Note 11 - Subsequent Events

As a result of the current COVID-19 pandemic, economic uncertainties have arisen which are likely to negatively impact fundraising, program service and donations. The organization has sufficient funds to cover such losses. These potential losses have not been recognized and are not required to be recognized in these financial statements.

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To the Board of Directors
EQUUS Foundation, Inc.

In planning and performing our audit of the financial statements of EQUUS Foundation, Inc. as of and for the year ended August 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in the internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected, and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use by management of the EQUUS Foundation, Inc. and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sabel and Oplinger

Sabel & Oplinger, CPA, PC
Southampton, New York

December 9, 2020