CLOVERLEAF EQUINE CENTER

DECEMBER 31, 2025 AND 2024

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CLOVERLEAF EQUINE CENTER

DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cloverleaf Equine Center
Clifton, Virginia

Opinion

We have audited the accompanying financial statements of Cloverleaf Equine Center (Cloverleaf) (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, 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 Cloverleaf as of December 31, 2025 and 2024, 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 (GAAP).

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 Cloverleaf 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 GAAP, 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 Cloverleaf's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Cloverleaf Equine Center
Clifton, Virginia

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 Cloverleaf'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 Cloverleaf'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.

UHY LLP

McLean, Virginia
August 3, 2026

CLOVERLEAF EQUINE CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
ASSETS		
Cash and cash equivalents	$ 485,105	$ 355,872
Other assets	16,223	17,967
Investments, at fair value	1,758,409	1,613,475
Property and equipment, net	6,812,653	6,971,015
Restricted cash	122,523	120,533
Restricted investments, at fair value	588,097	571,005
TOTAL ASSETS	$ 9,783,010	$ 9,649,867

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 10,070	$ 24,260
Accrued payroll, taxes, and benefits	7,568	25,510
Deferred revenue	48,313	16,768
Line of credit	935,063	973,771
Mortgage payable	744,852	781,745
TOTAL LIABILITIES	1,745,866	1,822,054
NET ASSETS		
Net assets without donor restrictions	5,939,402	5,917,077
Net assets with donor restrictions	2,097,742	1,910,736
TOTAL NET ASSETS	8,037,144	7,827,813
TOTAL LIABILITIES AND NET ASSETS	$ 9,783,010	$ 9,649,867

CLOVERLEAF EQUINE CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Without Donor Restrictions	With Donor Restrictions	Total 2024
REVENUE, SUPPORT, AND GAINS/(LOSSES)						
Equine assisted revenue	$ 469,604	$ -	$ 469,604	$ 388,290	$ -	$ 388,290
Contributions	385,838	284,451	670,289	454,957	866,453	1,321,410
Special event income, net of direct benefit to donors	229,227	5,000	234,227	254,424	-	254,424
Gifts in kind	558,635	-	558,635	456,656	-	456,656
Investment income/(loss), net	42,916	172,024	214,940	17,306	121,561	138,867
Other income/(loss)	35,140	-	35,140	39,925	-	39,925
Net assets released from restrictions	274,469	(274,469)	-	300,095	(300,095)	-
Total revenue, support, and gains/(losses)	1,995,829	187,006	2,182,835	1,911,653	687,919	2,599,572
EXPENSES						
Program services	1,498,633	-	1,498,633	1,440,390	-	1,440,390
Support services:						
General and administrative	287,138	-	287,138	292,384	-	292,384
Fundraising	187,733	-	187,733	210,719	-	210,719
Total expenses	1,973,504	-	1,973,504	1,943,493	-	1,943,493
CHANGE IN NET ASSETS	22,325	187,006	209,331	(31,840)	687,919	656,079
NET ASSETS, BEGINNING OF YEAR	5,917,077	1,910,736	7,827,813	5,948,917	1,222,817	7,171,734
NET ASSETS, END OF YEAR	$ 5,939,402	$ 2,097,742	$ 8,037,144	$ 5,917,077	$ 1,910,736	$ 7,827,813

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

CLOVERLEAF EQUINE CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			
	Program Services	General and Administrative	Fundraising	Total
Salaries, taxes, and benefits	$ 359,423	$ 191,368	$ 136,885	$ 687,676
Maintenance, depreciation, and amortization	259,997	2,149	3,628	265,774
Facility costs	100,423	989	1,670	103,082
Horse expenses	114,290	-	-	114,290
Donated services	530,945	-	-	530,945
Paid professional fees	47,314	84,728	6,850	138,892
Other expenses	86,241	7,904	38,700	132,845
Total 2025 expenses	$ 1,498,633	$ 287,138	$ 187,733	$ 1,973,504

	2024			
	Program Services	General and Administrative	Fundraising	Total
Salaries, taxes, and benefits	$ 372,313	$ 185,581	$ 161,412	$ 719,306
Maintenance, depreciation, and amortization	254,445	5,615	5,642	265,702
Facility costs	101,474	1,935	1,690	105,099
Horse expenses	108,191	-	-	108,191
Donated services	456,656	-	-	456,656
Paid professional fees	60,564	93,234	13,084	166,882
Other expenses	86,747	6,019	28,891	121,657
Total 2024 expenses	$ 1,440,390	$ 292,384	$ 210,719	$ 1,943,493

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

CLOVERLEAF EQUINE CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 209,331	$ 656,079
Adjustments to reconcile change in net assets		
to net change in cash from operating activities:		
Depreciation and amortization	203,856	200,992
Realized and unrealized (gains)/losses on investments	(147,711)	(87,858)
Donated securities received	(10,147)	(637,513)
Donated property and equipment	(27,690)	-
Proceeds from sales of contributed investments	-	65,437
Changes in assets and liabilities:		
Other assets	1,744	20,540
Accounts payable	(14,190)	1,852
Accrued payroll, taxes, and benefits	(17,942)	8,748
Deferred revenue	31,545	3,341
Net change in cash from operating activities	228,796	231,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,804)	(46,164)
Purchase of investments	(1,247,229)	(2,332,491)
Proceeds from sales of contributed investments restricted for		
the building fund	-	557,489
Proceeds from sale or maturity of investments	1,243,061	1,360,860
Net change in cash from investing activities	(21,972)	(460,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(36,893)	(35,360)
Principal payments on line of credit	(38,708)	(37,082)
Net change in cash from financing activities	(75,601)	(72,442)
NET CHANGE IN CASH AND CASH EQUIVALENTS	131,223	(301,130)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	476,405	777,535
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	$ 607,628	$ 476,405
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 68,808	$ 71,964

NOTE 1 - THE ORGANIZATION

Cloverleaf Equine Center (Cloverleaf), (formerly The Northern Virginia Therapeutic Riding Program, Inc.) is a not-for-profit organization incorporated under the laws of the Commonwealth of Virginia on March 9, 1998. Cloverleaf was initially formed as a 4-H therapeutic riding program in 1980. The mission of Cloverleaf is to help each individual realize their highest potential by providing equine-assisted services to people with disabilities, youth from marginalized communities, recovering military personnel, and others in need, in an inclusive community setting. Cloverleaf owns and operates O'Shaughnessy Farm in Clifton, Virginia, which includes the Jean Edelman Indoor Riding Arena, an accessible playground, and the Harbitter Learning Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification, which is the sole source of authoritative accounting principles generally accepted in the United States of America (GAAP). Therefore, the financial statements of Cloverleaf have been prepared on the accrual basis of accounting. Cloverleaf reports information regarding its activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 Cloverleaf. These net assets may be used at the discretion of Cloverleaf's management and include Board designated funds, which are funds that have been segregated by the Board to be spent only on specific purposes.

Net assets with donor restrictions - result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Cloverleaf pursuant to these stipulations. Donor restricted contributions are reported as increases in net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Cloverleaf considers all separately held checking, money market, and savings accounts with maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents held by investment managers as part of Cloverleaf's investment portfolio are included with investments in the accompanying statements of financial position.

Investments

Investments in money market funds, mutual funds, and fixed income obligations with readily determinable fair values are reported in the statements of financial position at their estimated fair value based on quoted market prices. Interest, dividends, and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are included in investment income in the accompanying statements of activities. Donated securities are recorded based on average quoted market values on the date the security is received and are sold upon receipt or immediately thereafter.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash and Investments

Cloverleaf has received donations for the construction of its facilities. Cloverleaf maintains these amounts as restricted cash or in investments since they will be used to purchase long-term assets. The following table provides details of cash, cash equivalents, and restricted cash as of December 31:

	2025	2024
Cash and cash equivalents	$ 485,105	$ 355,872
Restricted cash	122,523	120,533
Total cash, cash equivalents, and restricted cash shown on the statements of cash flows	$ 607,628	$ 476,405

The following table provides a detail of investments by restriction as of December 31:

	2025	2024
Investments restricted for facilities construction	$ 588,097	$ 571,005
Endowment fund investments	1,301,989	1,188,965
Other investments	456,420	424,510
Total investments and restricted investments, at fair value	$ 2,346,506	$ 2,184,480

Property and Equipment

Property and equipment (including horses, major renewals, replacements, and betterments), with a cost of $5,000 or more, are capitalized at cost if purchased or at estimated fair market value, if donated. Expenditures for ordinary maintenance and repair are charged to expense as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the statements of activities. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets from two to forty years. The carrying value of long-lived assets is reviewed by management for impairment whenever events or changes in circumstances indicated the carrying amount may not be recoverable. As of December 31, 2025, management does not believe it has any long-lived assets that are impaired.

Revenue Recognition

Cloverleaf's primary sources of revenue are equine assisted fees earned in the conduct of programs, contributions from individuals, foundations, governments, and corporations including gifts in kind, and income from a special event.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Equine Assisted Revenue

Equine assisted revenue consists of fees earned for various types of programs that utilize Cloverleaf's horses in the programs. It is recognized upon the completion of each client session. Fees are billed and collected from clients who have the means to pay or third-party payers if there is one based on individual agreed-upon arrangements. Services are provided both indoors and outside based on the needs of the client, availability of the facilities, and weather conditions. A summary of equine assisted revenue is as follows for the years ended December 31:

	2025	2024
Therapeutic riding	$ 251,445	$ 169,920
Physical therapy	30,318	25,854
Camp revenue	46,317	42,910
Horsemanship	32,979	24,441
Other	108,545	125,165
Total equine assisted revenue	$ 469,604	$ 388,290

Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

All contributions received and unconditional promises to give are measured at their fair values. Conditional promises to give and amounts received in advance, including revocable estates and trusts, monthly donors, and reimbursement-basis grants, are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in more than one year are reported at their net present realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Amortization of the discount is included in contributions income.

Special Event Income

Cloverleaf receives income from its primary fundraising event, the Polo Classic, which is recorded as the event occurs and net of an estimate of direct benefits to donors, sponsors, and participants. Event attendees and sponsors receive some value in exchange for their payments, however, in most cases, the amount received is greater than the value provided in exchange and the excess is deemed to be contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Event Income (continued)

The net special event income for the years ended December 31 was as follows:

	2025	2024
Gross revenue	$ 337,689	$ 345,986
Direct benefit to donors	(103,462)	(91,562)
Total special event income, net	$ 234,227	$ 254,424

Gifts in Kind

Cloverleaf reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributions of donated services that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Contributed services represent the value of donated program-trained volunteers and other services and are recorded as contributions at their estimated fair market value as of the date of the donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program, general and administrative, and fundraising activities based on level of effort, use of space, or headcount.

Paycheck Protection Program (PPP) Loans

On April 10, 2020 and January 25, 2021, Cloverleaf received loan proceeds in the amount of $77,512 and $79,252, respectively, from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). Under the terms of the loans, funds were eligible to be forgiven if they were used for specific covered expenses. The loans were fully forgiven on March 17, 2021 and January 8, 2022, respectively. The SBA has the right to audit whether a borrower qualified for a PPP loan and met the conditions necessary for forgiveness of the loan up to six years after forgiveness is received. Cloverleaf believes the risk of noncompliance is not significant.

Use of Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Cloverleaf received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes and that it qualifies as a publicly supported organization under Section 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). Cloverleaf has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2) of the IRC. Cloverleaf believes that its operations are consistent with the nature of its exemption granted by the IRS. There is no current liability for income taxes and no temporary differences resulting in deferred taxes as of December 31, 2025 and 2024.

Cloverleaf is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions Cloverleaf has taken in the tax years that remain subject to examination or expects to take on an income tax return. Cloverleaf recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. Cloverleaf recorded no liability for uncertain income tax positions for any open tax years.

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent Events

Cloverleaf has evaluated subsequent events through August 3, 2026, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Cloverleaf measures and reports financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair market value can fluctuate in times of market turmoil.

GAAP establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

Level 1 - quoted prices in active market for identical assets or liabilities as of the reporting date;
Level 2 - quoted prices for similar assets or liabilities in active markets or for identical or similar assets in markets that are not active and inputs other than quoted prices (such as interest rate and yield curves); and
Level 3 - uses inputs that are unobservable, supported by little or no market activity, and reflects significant management judgment.

NOTE 3 – INVESTMENTS (continued)

All of Cloverleaf's investments were considered Level 1 as of December 31, 2025 and 2024. The table below summarizes investments for items measured at fair value on a recurring basis:

	2025	2024
Cash and cash equivalents	$ 997,468	$ 964,387
Exchange traded funds	862,317	816,758
Equity mutual funds	65,326	65,186
Fixed income mutual funds	254,292	251,162
Government securities	167,103	86,987
Total investments, at fair value	$ 2,346,506	$ 2,184,480

Cloverleaf's overall investment objective is to preserve the assets while endeavoring to earn a return on the assets sufficient to support a target of up to 5 percent distribution each year.

NOTE 4 – MORTGAGE AND LINE OF CREDIT

Cloverleaf has a mortgage note that was a refinancing of an existing loan. The loan was refinanced on July 16, 2020, carries a 3.95 percent interest rate, has a 7-year term, calls for monthly interest and principal payments of $5,627, and is amortized over a 20-year term and therefore, contains a balloon payment at the end in July 2027. The mortgage also has prepayment penalties. The note is secured by a first priority lien and Deed of Trust on the property, in addition to all assets of Cloverleaf. The balance on the mortgage payable was $744,852 and $781,745 as of December 31, 2025 and 2024, respectively.

In 2020, Cloverleaf also entered into a construction line of credit up to $1,500,000 with a term of 7 years starting July 16, 2020, and a fixed interest rate of 3.95 percent. Proceeds were only to be used for the construction of the new indoor arena and were only available to be drawn for the first 24 months. After those first 24 months, the line has prepayment penalties. Interest only payments were due for the first 2 years, and then monthly principal and interest payments are due based on a 20-year amortization schedule and a balloon payment due at the end of the term in July 2027. The line of credit is also secured by the property Cloverleaf owns. The balance on the line of credit was $935,063 and $973,771 as of December 31, 2025 and 2024, respectively.

The note and line of credit contain loan to value ratio and debt service coverage ratio covenants as well as certain other nonfinancial covenants. As of December 31, 2025 and 2024, Cloverleaf was in compliance with those covenants. Interest expense for the years ended December 31, 2025 and 2024 was $68,921 and $72,081, respectively. Future minimum principal payments due on the mortgage payable and line of credit for the years ending December 31, are as follows:

2026	$ 79,304
2027	1,600,611
Total future minimum principal payments due	$ 1,679,915

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2025	2024
Land	$ 1,521,425	$ 1,521,425
Buildings and improvements	5,988,092	5,988,092
Permanent facility acquisition costs	67,472	67,472
Horses	184,997	189,996
Program equipment and vehicles	164,936	154,936
Construction in progress	43,564	8,070
Other	19,111	19,111
Less: accumulated depreciation and amortization	(1,176,944)	(978,087)
Property and equipment, net	$ 6,812,653	$ 6,971,015

Total depreciation and amortization expense for the years ended December 31, 2025 and 2024, was $203,856 and $200,992, respectively.

NOTE 6 - NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31:

	2025	2024
Purpose restricted:		
Building fund	$ 736,494	$ 688,594
Other temporary restrictions/grant funds	59,259	33,177
Korenbilt scholarships endowment fund	59,686	54,131
Cloverleaf endowment fund	1,242,303	1,134,834
Total net assets with donor restrictions	$ 2,097,742	$ 1,910,736

NOTE 6 - NET ASSETS (continued)

Net Assets With Donor Restrictions (continued)

The composition of net assets released from restrictions for the years ended December 31, was:

	2025	2024
Satisfaction of purpose restrictions:		
Building fund	$ -	$ 8,109
Sponsor a horse	78,762	75,302
Amount appropriated for expenditure from endowments	59,000	43,000
Other temporary restrictions/grant funds	136,707	173,684
Total net assets released from restrictions	$ 274,469	$ 300,095

Endowment Funds

Cloverleaf maintains two endowment funds: the Korenbilt scholarship fund and the Cloverleaf endowment fund. Cloverleaf is subject to the Commonwealth of Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The Korenbilt scholarship fund is also subject to purpose restrictions that must be met before reclassifying the net assets to net assets without donor restrictions. Cloverleaf has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Cloverleaf considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts and (b) any accumulations to the fund that are required to be in perpetuity as directed by the donor. Cloverleaf has further interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In addition, Cloverleaf considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Cloverleaf and the donor-restricted endowment fund, (3) general economic conditions including the effect of inflation or deflation, (4) the expected total return from income and the appreciation of investments, (5) other resources of Cloverleaf, and (6) Cloverleaf's investment policies.

In addition, the Board has designated $360,000 and $360,000 as of December 31, 2025 and 2024, respectively, as a reserve fund for sustainability. The Board has established a policy to maintain this fund to approximate three months of operations and, subject to certain notifications to and approvals from the Board, the funds can be used to provide funding for major emergencies or funding shortfalls; unexpected, unbudgeted expenses that develop during the year; covering shortfalls in the annual budget due to one-off timing issues of major gifts or revenue; or seizing strategic opportunities that align with Cloverleaf's mission.

NOTE 6 - NET ASSETS (continued)

Endowment Funds (continued)

Cloverleaf has adopted investment and spending policies for endowment assets that are intended to support the long-term stability of Cloverleaf, augment fundraising, and to provide a vehicle for donors to make long-term gifts that support Cloverleaf's mission. Cloverleaf's primary endowment investment objective is to preserve the assets while endeavoring to earn a return on the assets sufficient to support a target of up to 5 percent distribution each year. The Board is committed to (1) protecting the corpus of the assets, (2) maintaining a diversified portfolio of assets in order to meet investment return objectives with a manageable level of risk, and (3) complying with applicable law and honoring donor intentions. The actual annual disbursement percentage will be set by the Board, under advisement from the Investment Committee of the Board and the investment manager at the end of the fiscal year for the coming fiscal year(s). The decision to set the disbursement percentage will be based on a review of trailing 12-month (or longer) asset performance, available forecasts, and recommendation of the investment manager.

A reconciliation of the beginning and ending balances of the endowment for the years ended December 31, 2025 and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2024	$ 315,000	$ 1,110,404	$ 1,425,404
Investment return, net	-	121,561	121,561
Transfers to board designated endowment funds	45,000	-	45,000
Amount appropriated for expenditure	-	(43,000)	(43,000)
Endowment net assets, December 31, 2024	360,000	1,188,965	1,548,965
Investment return, net	-	172,024	172,024
Amount appropriated for expenditure	-	(59,000)	(59,000)
Endowment net assets, December 31, 2025	$ 360,000	$ 1,301,989	$ 1,661,989

NOTE 6 - NET ASSETS (continued)

Endowment Funds (continued)

Cloverleaf's endowment net asset composition by type of fund as of December 31, is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated reserve fund	$ 360,000	$ -	$ 360,000
Donor-restricted endowment funds:			
Original donor restricted gift amount	-	1,050,000	1,050,000
Less: accumulated prudent use of funds	-	(140,986)	(140,986)
Accumulated investment gains	-	392,975	392,975
Total donor-restricted endowment funds	-	1,301,989	1,301,989
Total endowment funds	$ 360,000	$ 1,301,989	$ 1,661,989

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated reserve fund	$ 360,000	$ -	$ 360,000
Donor-restricted endowment funds:			
Original donor restricted gift amount	-	1,050,000	1,050,000
Less: accumulated prudent use of funds	-	(81,986)	(81,986)
Accumulated investment gains	-	220,951	220,951
Total donor-restricted endowment funds	-	1,188,965	1,188,965
Total endowment funds	$ 360,000	$ 1,188,965	$ 1,548,965

Underwater Endowment Funds

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Cloverleaf to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2025 or 2024.

NOTE 7 - GIFTS IN KIND

Patrons of Cloverleaf donate their time and talents for program and administrative activities and events that demonstrate to the community what Cloverleaf has to offer. Volunteers are either certified in the areas they provide service in or are required to attend specially tailored training for therapeutic riding to assist in riding lessons as side walkers and horse leaders as well as horse care and barn management and therefore possess the specialized skills necessary for the delivery of services. In addition, Cloverleaf received other professional contributed legal, veterinary, and/or farrier services in the years ended December 31, 2025 and 2024. Cloverleaf also receives donated property and equipment for its facilities and for horse maintenance. From time to time, Cloverleaf receives a horse for its programs as a donation.

Gifts in kind revenue and corresponding expenses are comprised of the following for the years ended December 31:

	2025	2024
Volunteer program-related services	$ 527,885	$ 453,541
Donated farrier and veterinary services	3,060	3,115
Donated barn construction services	17,690	-
Donated horse care equipment and tools	10,000	-
Total gifts in kind income	$ 558,635	$ 456,656

The table below summarizes the valuation techniques and other information for each type of nonfinancial asset donated.

Nonfinancial Asset	Utilization in Activities	Donor Restrictions	Valuation Techniques and Inputs
Program-related services	Program activities	None	Cloverleaf estimated the fair value based on number of hours and average volunteer hourly value for Virginia as published by a third-party organization.
Farrier and veterinary services	Program activities	None	Cloverleaf estimated the fair value based on donor provided hours and normal billing rates for the services provided.
Donated barn construction services	Program activities	None	Cloverleaf estimated the fair value based on donor provided hours and normal billing rates for the services provided.
Donated horse care equipment and tools	Program activities	None	Cloverleaf estimated the fair value based on estimates of the cost of the equipment and tools in the current condition.

NOTE 8 - CONCENTRATION RISK

Cloverleaf maintains cash and investments in federally insured banks and broker-managed accounts and has exposure to credit risk on those accounts. Some cash held in bank and broker managed accounts is insured up to Federal Deposit Insurance Corporation (FDIC) limits. As of December 31, 2025, Cloverleaf had $335,764 cash in excess of FDIC limits. Assets held in broker managed accounts are insured by the Securities Investor Protection Corporation (SIPC), which protects investors for up to $500,000, including a maximum of $250,000 for claims of cash equivalents, if the brokerage firm holding the assets becomes insolvent, but it does not insure the underlying assets of $2,331,449. These assets fluctuate with changes in the market. Cloverleaf believes its credit risk is not significant.

NOTE 9 - FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year of operation that are not subject to restrictions that make them unavailable for general operations as of December 31, were as follows:

	2025	2024
Cash, cash equivalents, and restricted cash	$ 607,628	$ 476,405
Investments	2,346,506	2,184,480
Other current assets	16,223	17,967
Less: amounts unavailable for general operations due to donor restrictions that limit their use including restrictions on cash	(2,097,742)	(1,910,736)
Less: amounts unavailable for general operations due to board designations that limit their use	(360,000)	(360,000)
Total financial assets available within one year for operations	$ 512,615	$ 408,116

As part of liquidity management, Cloverleaf has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations that come due.