CLOVERLEAF EQUINE CENTER

DECEMBER 31, 2022

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CLOVERLEAF EQUINE CENTER

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cloverleaf Equine Center
Clifton, Virginia

Opinion

We have audited the accompanying financial statements of Cloverleaf Equine Center (the Center) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Restatement of Opening Net Assets

As part of our audit of the 2022 financial statements, we also audited the adjustment described in Note 11 that was applied to restate the 2021 net assets with donor restrictions balance. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Center other than with respect to the adjustment, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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
November 14, 2023

CLOVERLEAF EQUINE CENTER

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

ASSETS		
Cash and cash equivalents	$ 798,212	
Other assets	112,844	
Property and equipment, net	7,327,536	
Restricted cash	24,845	
Investments	995,768	
TOTAL ASSETS		$ 9,259,205

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 39,107	
Accrued payroll, taxes, and benefits	16,542	
Line of credit	1,045,681	
Mortgage payable	851,166	
TOTAL LIABILITIES		$ 1,952,496
NET ASSETS		
Net assets without donor restrictions	6,153,065	
Net assets with donor restrictions	1,153,644	
TOTAL NET ASSETS		7,306,709
TOTAL LIABILITIES AND NET ASSETS		$ 9,259,205

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

CLOVERLEAF EQUINE CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS/(LOSSES)			
Equine assisted revenue	$ 237,717	$ -	$ 237,717
Contributions	417,471	381,490	798,961
Special event income, net of direct benefit to donors	210,983	-	210,983
Gifts in kind	406,139	-	406,139
Investment income/(loss), net	2,912	(59,293)	(56,381)
Debt forgiveness on PPP loan	79,242	-	79,242
Other income/(loss)	42,721	-	42,721
Net assets released from restrictions	417,508	(417,508)	-
Total revenue, support, and gains/(losses)	1,814,693	(95,311)	1,719,382
EXPENSES			
Program services	1,308,847	-	1,308,847
Supporting services:			
General and administrative	262,783	-	262,783
Fundraising	209,718	-	209,718
Total supporting services	472,501	-	472,501
Total expenses	1,781,348	-	1,781,348
CHANGE IN NET ASSETS	33,345	(95,311)	(61,966)
NET ASSETS, BEGINNING OF YEAR, as previously reported	6,119,720	248,955	6,368,675
RESTATEMENT OF NET ASSETS, BEGINNING OF YEAR	-	1,000,000	1,000,000
NET ASSETS, BEGINNING OF YEAR, as restated	6,119,720	1,248,955	7,368,675
NET ASSETS, END OF YEAR	$ 6,153,065	$ 1,153,644	$ 7,306,709

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

CLOVERLEAF EQUINE CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries, taxes, and benefits	$ 279,254	$ 154,365	$ 154,180	$ 587,799
Maintenance, depreciation, and amortization	259,827	6,034	3,789	269,650
Facility costs	109,829	1,399	878	112,106
Horse expenses	104,345	-	-	104,345
Donated services	400,695	5,444	-	406,139
Professional fees	72,834	85,620	14,324	172,778
Other expenses	82,063	9,921	36,547	128,531
TOTAL EXPENSES	$ 1,308,847	$ 262,783	$ 209,718	$ 1,781,348

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

CLOVERLEAF EQUINE CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$(61,966)	
Adjustments to reconcile change in net assets to net change from operating activities:		
Depreciation and amortization	194,315	
Realized and unrealized (gains)/losses on investments	73,441	
Forgiveness of PPP loan	(79,242)	
Changes in assets and liabilities:		
Pledges receivable	968,977	
Other assets	(11,375)	
Accounts payable	(7,307)	
Accrued payroll, taxes, and benefits	(318)	
Other liabilities	(10,489)	
Net change in cash from operating activities		$ 1,066,036
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(40,888)	
Sales of property and equipment	5,500	
Purchase of investments	(2,089,800)	
Proceeds from sale or maturity of investments	1,075,652	
Net change in cash from investing activities		(1,049,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(32,727)	
Principal payments on line of credit	(198,353)	
Net change in cash from financing activities		(231,080)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		(214,580)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR		1,037,637
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR		$ 823,057
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest		$ 81,928

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

NOTE 1 - THE ORGANIZATION

Cloverleaf Equine Center (the Center), (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. The Center was initially formed as a 4-H therapeutic riding program in 1980. The mission of the Center 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. The Center owns and operates the Jean Edelman Indoor Riding Arena, an accessible playground, and the Harbitter Learning Center at O'Shaughnessy Farm in Clifton, Virginia.

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 the Center have been prepared on the accrual basis of accounting. The Center 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 the Center. These net assets may be used at the discretion of the Center's management and includes 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 the Center 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 statement of cash flows, the Center 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 the Center's investment portfolio are included with investments in the accompanying statements of financial position.

Restricted Cash

The Center has received donations for the construction of its facilities. The Center maintains these amounts as restricted cash in a separate bank account since they will be used to purchase long-term assets. The following table provides a reconciliation of cash, cash equivalents, and restricted cash as of December 31, 2022:

Cash and cash equivalents	$ 798,212
Restricted cash	24,845
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 823,057

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in money market funds, mutual funds, and fixed income obligations with readily determinable fair values are reported in the statement 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 statement of activities. Donated securities are recorded based on quoted market values as of the close of business on the date the security is received and are sold upon receipt or immediately thereafter.

Property and Equipment

Property and equipment (including major renewals, replacements, and betterments), with a cost of $500 or more, are capitalized at cost if purchased or at estimated market value if donated. Expenditures for ordinary maintenance and repair items 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 statement of activities. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets from two to forty years.

Revenue Recognition

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

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. All contributions are due within one year except $16,709 that is due to be received in 2024.

Special Event Income

The Center receives income from its fundraising event, the Polo Classic, that is recorded as the event occurred and net of estimates 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)

Equine Assisted Revenue

Equine assisted revenue consists of fees earned for various types of programs that utilize the Center'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 based on individual agreed-upon arrangements. Services are provided both indoor and outside based on the needs of the client and availability of the facilities and can be weather dependent. A summary of equine assisted revenue is as follows for the year ended December 31, 2022:

Therapeutic riding	$ 139,531
Physical therapy	41,691
Camp revenue	29,700
Horsemanship	15,414
Other	11,381
Total equine assisted revenue	$ 237,717

Gifts in Kind

The Center reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 legal services and are recorded as contributions at their estimated fair market value as of the date of the donation.

Income Taxes

The Center 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). The Center has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2) of the IRC. The Center believes that its operations are consistent with the nature of their 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, 2022.

The Center is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions the Center has taken in the tax years that remain subject to examination or expects to take on an income tax return. The Center 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. The Center recorded no liability for uncertain income tax positions for any open tax years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program (PPP) Loan

On January 25, 2021, the Center received loan proceeds in the amount of $79,252 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP) under a second round of loans, which was initially established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of this loan, funds are eligible to be forgiven if they are used for specific covered expenses including payroll and rent. Any portion of the loan that does not qualify for forgiveness is subject to an interest rate of one percent and is payable in equal installments of principal and interest over a two-year period. Payments are deferred until such time as the SBA remits the forgiveness amount of the loan to the lender. The loan was fully forgiven on January 8, 2022, and is reported as debt forgiveness on the statement of activities since the Center has elected to record the PPP loan on the debt method.

In addition, the Center received forgiveness and recognized $77,512 from a first round PPP loan in March 2021. 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. The Center believes the risk of noncompliance is not significant.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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.

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.

Subsequent Events

The Center has evaluated subsequent events through November 14, 2023, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The Center 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.

NOTE 3 - INVESTMENTS (continued)

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 reflect significant management judgment.

All of the Center's investments were considered Level 1 as of December 31, 2022. The table below summarizes investments for items measured at fair value on a recurring basis:

Cash and cash equivalents	$ 7,210
Exchange traded funds	816,833
Equity mutual funds	125,266
Fixed income mutual funds	21,882
Government securities	24,577
Total investments	$ 995,768

The Center'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 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2022:

Land	$ 1,521,425
Buildings and improvements	5,993,706
Permanent facility acquisition costs	67,472
Horses	184,997
Program equipment and vehicles	116,841
Other	15,361
Less: accumulated depreciation and amortization	(572,266)
Property and equipment, net	$ 7,327,536

Total depreciation and amortization expense for the year ended December 31, 2022, was $194,315.

NOTE 5 – MORTGAGE AND LINE OF CREDIT

The Center also has a mortgage note that was a refinancing of an existing loan. The loan was refinanced on July 16, 2020, and carries a 3.95 percent interest rate, 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. 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 the Center. Monthly interest and principal payments are $5,627. The balance on the mortgage payable was $851,166 as of December 31, 2022. Interest expense on the mortgage for the year ended December 31, 2022, totaled $34,801.

In 2020, the Center 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 barn 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. The line of credit is also secured by the property Cloverleaf owns. The balance on the line of credit was $1,045,681 as of December 31, 2022. Interest expense on the line of credit for the year ended December 31, 2022, was $45,645.

The note and line of credit contains a loan to value ratio and debt service coverage ratio covenants as well as certain other nonfinancial covenants. As of December 31, 2022, the Center was in compliance with those covenants. Future minimum principal payments due on the mortgage payable and line of credit as of December 31 are as follows:

Years ending December 31		
2023	$	75,950
2024		78,843
2025		82,264
2026		85,620
2027		1,574,170
Total future minimum principal payments due	$	1,896,847

In 2020, the Center also entered into two irrevocable standby letters of credit as part of the bonding requirement in connection with the construction completion of the indoor riding arena totaling $684,000. The letters of credit were secured by all assets of the Center. The Center was released from these commitments in July 2022.

NOTE 6 - SPECIAL EVENT INCOME

The Center held its Polo Classic event in the year ended December 31, 2022. Net revenue consisted of:

Gross revenue	$	322,574
Direct benefit to donors	(	111,591)
Total	$	210,983

NOTE 7 - NET ASSETS

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were available for the following purposes:

Purpose restricted:		
Building fund	$	24,534
Other temporary restrictions/grant funds		63,387
Korenbilt scholarships endowment fund		46,284
Cloverleaf endowment fund		949,483
Time and purpose restricted:		
Building fund		15,109
Other temporary restrictions/grant funds		54,847
Total net assets with donor restrictions	$	1,153,644

The composition of net assets released from restrictions for the year ended December 31, 2022, was:

Satisfaction of purpose restrictions:		
Building fund	$	119,105
Restricted/grant funds		188,403
COVID-19 relief		110,000
Total net assets released from restrictions	$	417,508

Endowment Funds

The Center maintains two endowment funds: the Korenbilt scholarship fund and the Cloverleaf endowment fund. The Center 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. The Center 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, the Center 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. The Center has further interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In addition, the Center 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 the Center 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 the Center, and (6) the Center's investment policies.

In addition, the Board has designated approximately $315,000 as a reserve fund for sustainability. The Board has grown this fund to approximate three-months of operations.

NOTE 7 - NET ASSETS (continued)

Endowment Funds (continued)

A reconciliation of the beginning and ending balances of the endowment for the year ended December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 188,000	$ 1,055,061	$ 1,243,061
Investment return, net	-	(59,293)	(59,293)
Transfers to board designated endowment funds	127,000	-	127,000
Endowment net assets, end of year	$ 315,000	$ 995,768	$ 1,310,768

The Center's endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated reserve fund	$ 315,000	$ -	$ 315,000
Donor-restricted endowment funds:			
Original donor restricted gift amount	-	1,050,000	1,050,000
Less accumulated prudent use of funds	-	(13,986)	(13,986)
Accumulated investment losses	-	(40,246)	(40,246)
Total donor-restricted endowment funds	-	995,768	995,768
Total endowment funds	$ 315,000	$ 995,768	$ 1,310,768

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 the Center to retain as a fund of perpetual duration. Deficiencies of this nature exist in both of the donor restricted endowment funds, which together have an original gift value of $1,050,000, a current fair value of $995,768, and a deficiency of $54,232 as of December 31, 2022, as a result of unfavorable market fluctuations that occurred in the current year. As a result, the Board determined to not make any appropriation in the year ended December 31, 2022.

NOTE 7 - NET ASSETS (continued)

Investment Objectives, Policies, and Strategies

The Center has adopted investment and spending policies for endowment assets that are intended to support the long-term stability of the Center, augment fundraising, and to provide a vehicle for donors to make long-term gifts that support the Center's mission. The Center'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. 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.

NOTE 8 - GIFTS IN KIND

Patrons of the Center donate their time and talents for program and administrative activities and events that demonstrate to the community what the Center has to offer. Volunteers 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, the Center received contributed legal services in the year ended December 31, 2022.

Gifts in kind revenue and corresponding expenses are comprised of the following for the year ended December 31, 2022:

Volunteer program-related services	$ 400,695
Donated legal services	5,444
Total gifts in kind	$ 406,139

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	The Center estimated the fair value based on number of hours and average volunteer hourly value for Virginia as published by a third party organization.
Legal services	General and administrative	None	The Center estimated the fair value based on donor provided hours and normal billing rates for the services provided.

NOTE 9 - CONCENTRATION RISK

The Center 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, 2022, the Center had $561,030 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 $988,558. These assets fluctuate with changes in the market. The Center believes its credit risk is not significant.

NOTE 10 - FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year for operations that are not subject to restrictions that make them unavailable for general operations as of December 31, 2022, were as follows:

Cash and cash equivalents and restricted cash	$ 823,057
Investments	995,768
Other current assets	112,844
Less: amounts unavailable for general operations due to donor restrictions that limit their use including restrictions on cash	(1,153,644)
Less: amounts unavailable for general operations due to board designations that limit their use	(315,000)
Total financial assets available within one year for operations	$ 463,025

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

NOTE 11 - RESTATEMENT OF OPENING NET ASSET CLASSIFICATION

The net assets as of the beginning of the year have been restated to correctly report a pledge receivable. The impact of the restatement is as follows as of January 1, 2022:

Increase in net assets with donor restrictions	$ 1,000,000