

**Professional Association of
Therapeutic Horsemanship
International**
(a nonprofit Colorado corporation)
Westminster, Colorado

Financial Statements

June 30, 2022 and 2021



Professional Association of Therapeutic Horsemanship International

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Independent Auditors' Report

To the Board of Trustees
Professional Association of Therapeutic Horsemanship International
Westminster, Colorado

Opinion

We have audited the accompanying financial statements of Professional Association of Therapeutic Horsemanship International (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 aspects, the financial position of Professional Association of Therapeutic Horsemanship International as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Report (continued)

Auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Professional Association of Therapeutic Horsemanship International'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 Professional Association of Therapeutic Horsemanship International'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Denver, Colorado
November 3, 2022

Professional Association of Therapeutic Horsemanship International

Statements of Financial Position

June 30	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,819,894	\$ 1,691,273
Accounts receivable	3,613	913
Grants receivable	36,196	33,000
Inventories	17,347	16,052
Prepaid expenses	121,378	186,009
Total current assets	<u>1,998,428</u>	<u>1,927,247</u>
Equipment, net	<u>211,851</u>	<u>152,286</u>
Other Assets		
Right-of-use asset, net	364,276	422,746
Intangible assets	101,644	101,644
Deposits	7,707	7,707
Total other assets	<u>473,627</u>	<u>532,097</u>
Total assets	<u>\$ 2,683,906</u>	<u>\$ 2,611,630</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 72,025	\$ 50,857
Accrued compensation and benefits	76,514	79,364
Refundable advances	-	26,003
Deferred revenue	551,313	531,228
Note payable, current portion	-	25,927
Current portion of operating lease obligations	70,384	66,052
Total current liabilities	<u>770,236</u>	<u>779,431</u>
Long-Term Liabilities		
Deferred revenue, net of current	55,419	68,319
Note payable, net of current portion	-	173,073
Operating lease obligations, net of current portion	324,730	381,174
Total long-term liabilities	<u>380,149</u>	<u>622,566</u>
Total liabilities	<u>1,150,385</u>	<u>1,401,997</u>
Net Assets		
Without donor restrictions	1,374,913	1,076,952
With donor restrictions	158,608	132,681
Total net assets	<u>1,533,521</u>	<u>1,209,633</u>
Total liabilities and net assets	<u>\$ 2,683,906</u>	<u>\$ 2,611,630</u>

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Membership dues	\$ 1,015,766	\$ -	\$ 1,015,766
Accreditation, certification and workshops	527,584	-	527,584
Education sales, net of cost of sales of \$17,211	214,373	-	214,373
Conference fees	114,085	-	114,085
Sponsorships	50,923	-	50,923
Total operating revenue	<u>1,922,731</u>	<u>-</u>	<u>1,922,731</u>
Operating Support			
Grants and contributions	405,904	77,412	483,316
Net assets released from restrictions			
Satisfaction of purpose restrictions	18,485	(18,485)	-
Expiration of time restrictions	33,000	(33,000)	-
Total operating support	<u>457,389</u>	<u>25,927</u>	<u>483,316</u>
Total operating revenue and support	<u>2,380,120</u>	<u>25,927</u>	<u>2,406,047</u>
Operating Expenses			
Program services	1,828,731	-	1,828,731
Supporting services			
General and administrative	432,642	-	432,642
Fundraising	25,319	-	25,319
Total operating expenses	<u>2,286,692</u>	<u>-</u>	<u>2,286,692</u>
Total operating revenue and support in excess of operating expenses	<u>93,428</u>	<u>25,927</u>	<u>119,355</u>
Other Changes			
Gain on debt forgiveness	199,000	-	199,000
Miscellaneous income	3,960	-	3,960
Interest income	1,573	-	1,573
Total other changes	<u>204,533</u>	<u>-</u>	<u>204,533</u>
Change in Net Assets	<u>297,961</u>	<u>25,927</u>	<u>323,888</u>
Net Assets, Beginning of Year	<u>1,076,952</u>	<u>132,681</u>	<u>1,209,633</u>
Net Assets, End of Year	<u>\$ 1,374,913</u>	<u>\$ 158,608</u>	<u>\$ 1,533,521</u>

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Professional Association of Therapeutic Horsemanship International

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Membership dues	\$ 1,032,218	\$ -	\$ 1,032,218
Accreditation, certification and workshops	424,258	-	424,258
Education sales, net of cost of sales of \$47,679	226,832	-	226,832
Conference fees	68,765	-	68,765
Sponsorships	56,004	-	56,004
Total operating revenue	<u>1,808,077</u>	<u>-</u>	<u>1,808,077</u>
Operating Support			
Grants and contributions	377,619	44,535	422,154
Net assets released from restrictions			
Satisfaction of purpose restrictions	21,600	(21,600)	-
Expiration of time restrictions	200	(200)	-
Total operating support	<u>399,419</u>	<u>22,735</u>	<u>422,154</u>
Total operating revenue and support	<u>2,207,496</u>	<u>22,735</u>	<u>2,230,231</u>
Operating Expenses			
Program services	1,787,829	-	1,787,829
Supporting services			
General and administrative	417,543	-	417,543
Fundraising	33,982	-	33,982
Total operating expenses	<u>2,239,354</u>	<u>-</u>	<u>2,239,354</u>
Total operating revenue and support in excess (deficit) of operating expenses	<u>(31,858)</u>	<u>22,735</u>	<u>(9,123)</u>
Other Changes			
Gain on debt forgiveness	190,200	-	190,200
Miscellaneous income	5,081	-	5,081
Interest income	1,309	-	1,309
Total other changes	<u>196,590</u>	<u>-</u>	<u>196,590</u>
Change in Net Assets	<u>164,732</u>	<u>22,735</u>	<u>187,467</u>
Net Assets, Beginning of Year, As Previously Stated	937,034	109,946	1,046,980
Effect of Adoption of New Accounting Pronouncement (See Note 2)	<u>(24,814)</u>	<u>-</u>	<u>(24,814)</u>
Net Assets, Beginning of Year, As Restated	<u>912,220</u>	<u>109,946</u>	<u>1,022,166</u>
Net Assets, End of Year	<u>\$ 1,076,952</u>	<u>\$ 132,681</u>	<u>\$ 1,209,633</u>

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Professional Association of Therapeutic Horsemanship International

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 791,618	\$ 248,548	\$ 14,388	\$ 1,054,554
Employee benefits	89,753	23,946	1,071	114,770
Payroll taxes	61,460	19,454	1,094	82,008
Total personnel costs	942,831	291,948	16,553	1,251,332
Grants	210,080	-	-	210,080
Consulting and purchased services	114,777	17,277	338	132,392
Information technology	110,085	19,427	-	129,512
Evaluator fees	108,013	-	-	108,013
Occupancy	76,994	18,518	1,949	97,461
Depreciation	39,991	17,643	1,176	58,810
Bank and credit card fees	40,229	9,675	1,019	50,923
Conferences and meetings	47,796	-	-	47,796
Printing and publications	34,994	2,067	232	37,293
Postage and shipping	29,850	4,838	88	34,776
Legal and professional fees	8,850	12,464	31	21,345
Meetings	12,303	4,591	1,469	18,363
Telephone	12,765	3,070	323	16,158
Travel	11,568	91	-	11,659
Equipment rent	-	10,852	-	10,852
Professional development	5,264	3,935	96	9,295
Dues and subscriptions	1,812	6,895	-	8,707
Supplies	2,429	5,723	-	8,152
Insurance	6,086	1,171	65	7,322
Miscellaneous expenses	4,997	1,720	-	6,717
Marketing and fundraising	4,081	680	170	4,931
Region outreach and member benefits	2,898	-	-	2,898
Program expenses	38	57	1,810	1,905
Total operating expenses	\$ 1,828,731	\$ 432,642	\$ 25,319	\$ 2,286,692

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 757,900	\$ 256,047	\$ 10,242	\$ 1,024,189
Employee benefits	83,620	22,513	1,072	107,205
Payroll taxes	60,374	18,271	795	79,440
Total personnel costs	901,894	296,831	12,109	1,210,834
Grants	310,187	-	-	310,187
Consulting and purchased services	115,962	14,332	-	130,294
Evaluator fees	101,497	-	-	101,497
Occupancy	76,441	18,384	1,935	96,760
Information technology	82,049	9,653	4,826	96,528
Depreciation	36,011	15,887	1,059	52,957
Bank and credit card fees	37,357	8,985	946	47,288
Legal and professional fees	-	37,716	-	37,716
Printing and publications	34,055	-	344	34,399
Postage and shipping	26,618	832	277	27,727
Telephone	12,857	3,092	325	16,274
Meetings	10,131	3,780	1,210	15,121
Dues and subscriptions	10,445	2,481	131	13,057
Equipment rent	9,765	2,472	124	12,361
Conferences and meetings	6,997	-	-	6,997
Insurance	5,052	1,123	62	6,237
Miscellaneous expenses	150	100	4,734	4,984
Marketing and fundraising	-	-	4,593	4,593
Supplies	3,833	431	43	4,307
Professional development	1,550	1,375	-	2,925
Travel	2,833	29	-	2,862
Region outreach and member benefits	2,118	-	-	2,118
Program expenses	27	40	1,264	1,331
Total operating expenses	<u>\$ 1,787,829</u>	<u>\$ 417,543</u>	<u>\$ 33,982</u>	<u>\$ 2,239,354</u>

The accompanying Notes are an integral
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Professional Association of Therapeutic Horsemanship International

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 323,888	\$ 187,467
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	58,810	52,957
Gain on debt forgiveness	(199,000)	(190,200)
Noncash rent expense	6,358	-
Noncash effect of retroactive application of new accounting pronouncement	-	(334)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(2,700)	(101)
Grants receivable	(3,196)	5,903
Inventories	(1,295)	3,887
Prepaid expenses	64,631	(64,896)
Accounts payable	21,168	30,887
Accrued compensation and benefits	(2,850)	16,901
Grants payable	-	(17,400)
Refundable advances	(26,003)	(14,083)
Deferred revenue	7,185	(129)
Net cash provided by operating activities	<u>246,996</u>	<u>10,859</u>
Cash Flows From Investing Activities		
Purchases of equipment	<u>(118,375)</u>	<u>(7,604)</u>
Net cash used by investing activities	<u>(118,375)</u>	<u>(7,604)</u>
Cash Flows From Financing Activities		
Proceeds from note payable	<u>-</u>	<u>199,000</u>
Net cash provided by financing activities	<u>-</u>	<u>199,000</u>
Net Increase in Cash and Cash Equivalents	128,621	202,255
Cash and Cash Equivalents, Beginning of Year	<u>1,691,273</u>	<u>1,489,018</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,819,894</u>	<u>\$ 1,691,273</u>

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. Professional Association of Therapeutic Horsemanship International ("the Organization") is a Colorado non-profit corporation established in 1969 whose mission is to lead the advancement of professional equine-assisted services by supporting members and stakeholders through rigorously developed standards, credentialing and education. The Organization provides standards, credentialing and education for industry professionals and facilitates the work with children and adults who are challenged physically, emotionally or mentally as they strive to achieve health and wellness goals. The Organization's revenues and other support are derived principally from membership dues, conference fees, accreditation and certification fees, education sales, and charitable contributions from interested parties.

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

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

Cash and Cash Equivalents. Cash and cash equivalents consists of checking and savings accounts held at a financial institution. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the member. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of June 30, 2022 and 2021, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Grants Receivable. Grants receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible grants. The allowance for uncollectible grants is estimated based on management's review of specific contributions outstanding. As of June 30, 2022 and 2021, management believes all grants receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories. Inventories consisting of association merchandise and equine-assisted services research materials are stated at the lower of cost (first-in, first-out method) or net realizable value. Donated items, if any, are recorded at fair value at the date of receipt.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally three to five years for equipment and software and five years for furniture and fixtures.

Intangible Assets. Intangible assets consist of trademarks. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The trademarks must be renewed and usage confirmed between five and six years after registration, again at nine to ten years, and every ten years thereafter at minimal cost. The costs incurred to renew the trademarks are expensed as incurred. The Organization also evaluates whether circumstances warrant a revision to the remaining estimated useful life of each intangible asset annually. If the Organization were to determine that a change in the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over the revised remaining useful life.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2022 and 2021.

Refundable Advances. Grant funding received in advance of incurring related expenses are due back to the grantor if expenses are not incurred as required by the grantor. Support is recognized as the related costs are incurred.

Leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Organization's statements of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and 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 resulting from revenues generated by receiving contributions that have no donor stipulations, membership dues, conference fees, accreditation and other services, interest, and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulation time restriction ends or the purpose restriction is accomplished.

Revenue Recognition.

Timing of Satisfaction. Education sales are recognized at the time of sale. Conference income is recognized as of the date of the conference. Membership dues, sponsorship income, and accreditation, certification, and workshop fees are recognized ratably over the period covered.

Transaction Price. The transaction price of a contract with a client is the amount of consideration to which the Organization expects to be entitled for transferring promised services to the member or customer.

Contract Balances. The following table provides information about the Organization's receivables and contract liabilities from contracts with members or customers at June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	\$ 913	\$ 812
Accounts receivable, end of year	\$ 3,613	\$ 913
Contract liabilities, beginning of year	\$ 599,547	\$ 599,676
Contract liabilities, beginning of year	\$ 606,732	\$ 599,547

Accounting Policies and Practical Expedients Elected. The Organization is electing to use the right to invoice practical expedient, which allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the member or customer. Therefore, the Organization will apply the invoice practical expedient to performance obligations satisfied over time.

The Organization's contracts do not include significant financing components.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Grants and Contributions. Grants and contributions are recognized when amounts are received. Donor-restricted amounts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Contributed Services. The Organization records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. The Organization did not receive contributed services during the years ended June 30, 2022 and 2021.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

The Organization is subject to unrelated business income tax on its advertising income. As of June 30, 2022, the Organization has incurred a net operating loss carryforward of approximately \$545. A deferred tax benefit has not been recorded in the accompanying financial statements as it is not determinable if the Organization will obtain a future benefit from this net operating loss carryforward.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2021 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 3, 2022, the date at which the financial statements were available for release.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 – New Accounting Pronouncement and Retrospective Application to Prior Year Presented

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842), with the intended purpose to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows from leases.

During the year ended June 30, 2022, the Organization elected to early-adopt the requirements of ASU 2016-02 and, as a result, adjusted the presentation of the financial statements, accordingly, applying the changes retrospectively to the period presented. The Organization has elected the package of practical expedients permitted in ASC Topic 842 and, accordingly, accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs in ASC Topic 842 at lease commencement. In addition, the Organization does allocate the consideration between lease and non-lease components.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2020 (a) a lease liability of \$519,580, which represents the present value of the remaining lease payments of approximately \$611,325, discounted using the Organization's incremental borrowing rate of 5%, and (b) a right-of-use asset of \$494,766. This resulted in a decrease in net assets without donor restrictions of \$24,814 as of July 1, 2020. Additionally, as a result of the adoption of the new lease accounting guidance, the new lease liability decreased by \$72,354, the new right-of-use asset decreased by \$72,020, and occupancy expense decreased by \$334 during the year ended June 30, 2021.

This standard did not have a material impact on the Organization's statements of financial position or cash flows from operations. The most significant impact was the recognition of right-of-use assets and lease obligations for operating leases.

Note 3 – Equipment

Equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Equipment and software	\$ 385,507	\$ 314,063
Furniture and fixtures	29,536	28,558
	<u>415,043</u>	342,621
Less accumulated depreciation	(209,386)	(190,335)
Work in progress	6,194	-
Net equipment	<u>\$ 211,851</u>	<u>\$ 152,286</u>

Depreciation expense totaled \$58,810 and \$52,957 for the years ended June 30, 2022 and 2021, respectively. Amortization of software is included in depreciation expense.

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Notes to Financial Statements

June 30, 2022 and 2021

Note 4 – Right-of-Use Assets

Right-of-use assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Right-of-use assets under operating leases (equipment)	\$ 48,184	\$ 33,903
Right-of-use assets under operating leases (facility)	617,259	617,259
Less accumulated amortization	<u>(301,167)</u>	<u>(228,416)</u>
Net right-of-use assets	<u>\$ 364,276</u>	<u>\$ 422,746</u>

Annual amortization for the years ended June 30, 2022 and 2021 was \$72,633 and \$72,020, respectively.

Note 5 – Notes Payable

The First PPP Loan. On April 13, 2020, the Organization was granted a loan ("the First PPP Loan") from BOK Financial in the amount of \$190,200, pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"), which was enacted March 27, 2020.

The First PPP Loan, which is in the form of a promissory note dated April 13, 2020, was scheduled to mature on April 13, 2022 and bore interest at a rate of 1.00% per annum, payable in monthly installments of approximately \$10,806, commencing on November 13, 2020. Funds from the First PPP Loan could only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before June 8, 2020. The Organization used the entire amount of the First PPP Loan for qualifying expenses. Under the terms of the PPP, certain amounts of the First PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The Organization was granted forgiveness of the First PPP Loan on November 12, 2020. The total amount of principal forgiven was \$190,200 and is shown as a gain on debt forgiveness in the statement of activities for the year ended June 30, 2021.

The Second PPP Loan. On January 31, 2021, the Organization was granted a loan ("the Second PPP Loan") from BOK Financial in the amount of \$199,000, pursuant to the Paycheck Protection Program ("the PPP") under The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act ("the Economic Aid Act"), which was enacted December 27, 2020.

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Notes to Financial Statements

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Note 5 – Notes Payable (continued)

The Second PPP Loan, which is in the form of a promissory note dated January 31, 2021, matures on January 31, 2026 and bears interest at a rate of 1.00% per annum, payable in monthly installments of approximately \$4,099 commencing on November 26, 2021. Funds from the Second PPP Loan could only be used for mortgage payments, rent, utilities, and interest on other debt obligations, PPE costs, payments for any business software or cloud computing service that facilitates operations, product or service delivery, payroll expenses, human resources, sales and billing functions, or accounting of supplies and inventory, covered property damage, and covered supplier costs incurred before July 18, 2021. The Organization used the entire amount of the Second PPP Loan for qualifying expenses. Under the terms of the Second PPP Loan, certain amounts may be forgiven if they are used for qualifying expenses as described in the Economic Aid Act.

The Organization was granted forgiveness of the Second PPP Loan on September 29, 2021. The total amount of principal forgiven was \$199,000 and is shown as a gain on debt forgiveness in the statement of activities for the year ended June 30, 2022.

Note 6 – Lease Commitments

Operating lease obligations consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Operating lease agreement for commercial facility in Westminster, Colorado; monthly payment of \$7,707 as of June 30, 2022; 111-month lease term expiring June 2027.	\$ 364,373	\$ 424,864
Operating lease agreement for copier machine; monthly payment of \$546 as of June 30, 2022; 72-month lease term expiring March 2025.	16,801	22,362
Operating lease agreement for mail equipment; monthly payment of \$230 as of June 30, 2022; 72-month lease term expiring April 2028.	13,940	-
Total	395,114	447,226
Less current portion	(70,384)	(66,052)
Operating lease obligations, net of current portion, net of unamortized present value discount	\$ 324,730	\$ 381,174
Weighted average discount rate at June 30	5.00%	5.00%
Weighted average remaining lease term at June 30	4.5 years	5.5 years

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Notes to Financial Statements

June 30, 2022 and 2021

Note 6 – Lease Commitments (continued)

Future annual undiscounted minimum lease payments required under the noncancelable operating leases are as follows at June 30, 2022:

Year ended June 30	Facility	Equipment	Total
2023	\$ 79,229	\$ 9,312	\$ 88,541
2024	81,526	9,312	90,838
2025	83,822	7,672	91,494
2026	86,119	2,760	88,879
2027	88,415	2,760	91,175
Thereafter	-	2,299	2,299
	<u>\$ 419,111</u>	<u>\$ 34,115</u>	<u>\$ 453,226</u>

Note 7 – Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2022:

	July 1, 2021 Balance	Additions	Releases	June 30, 2022 Balance
Time restricted				
Grants receivable	\$ 33,000	\$ 36,196	\$ 33,000	\$ 36,196
Purpose restricted				
Accreditation Funds	3,500	1,500	3,100	1,900
Disaster relief	4,941	7,340	920	11,361
Equine service for heroes	2,057	250	-	2,307
Regional speakers	5,994	4,265	200	10,059
Rider's assistance fund	35,728	2,677	10,000	28,405
Scholarships	47,461	25,184	4,265	68,380
	<u>\$ 132,681</u>	<u>\$ 77,412</u>	<u>\$ 51,485</u>	<u>\$ 158,608</u>

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2021:

	July 1, 2020 Balance	Additions	Releases	June 30, 2021 Balance
Time restricted				
Grants receivable	\$ 200	\$ 33,000	\$ 200	\$ 33,000
Purpose restricted				
Accreditation fund	3,500	-	-	3,500
Disaster relief	6,116	425	1,600	4,941
Equine service for heroes	1,337	720	-	2,057
Regional speakers	5,994	-	-	5,994
Rider's assistance fund	52,218	3,510	20,000	35,728
Scholarships	40,581	6,880	-	47,461
	<u>\$ 109,946</u>	<u>\$ 44,535</u>	<u>\$ 21,800</u>	<u>\$ 132,681</u>

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Note 8 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which currently allows an employee to contribute up to \$13,500 of their annual compensation. The Organization provides a matching contribution to the plan of up to 3% of the employee's annual compensation. The Organization contributed \$23,302 and \$20,955 to the plan for the years ended June 30, 2022 and 2021, respectively.

Note 9 – Liquidity and Availability of Resources

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these principles, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within these guiding principles.

	<u>2022</u>	<u>2021</u>
Financial assets at June 30:		
Cash and cash equivalents	\$ 1,819,894	\$ 1,691,273
Accounts receivable	3,613	913
Grants receivable	36,196	33,000
	<u>1,859,703</u>	<u>1,725,186</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,859,703</u>	<u>\$ 1,725,186</u>

All of the Organization's net asset restrictions are available for release within the next fiscal year.