



Financial Statements

As of and for the years ended June 30, 2023 and 2022

Professional Association of Therapeutic Horsemanship International dba PATH International

Westminster, Colorado



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Professional Association of Therapeutic Horsemanship International

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Professional Association of Therapeutic Horsemanship International dba PATH International (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the

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, 2023 and 2022, 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

Centennial, Colorado
January 24, 2024

Professional Association of Therapeutic Horsemanship International

Statements of Financial Position

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,224,363	\$ 1,819,894
Endowment investments and cash equivalents	500,000	-
Accounts receivable	10,000	3,613
Grants and pledges receivable	46,381	36,196
Inventories	16,362	17,347
Prepaid expenses	145,867	121,378
Total current assets	<u>1,942,973</u>	<u>1,998,428</u>
Property and Equipment, net	<u>163,236</u>	<u>211,851</u>
Other Assets		
Right-of-use assets, net	328,534	364,276
Intangible assets	101,644	101,644
Deposits	7,707	7,707
Total other assets	<u>437,885</u>	<u>473,627</u>
Total assets	<u>\$ 2,544,094</u>	<u>\$ 2,683,906</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 40,966	\$ 27,525
Grants payable	33,922	44,500
Accrued compensation and benefits	86,530	76,514
Deferred revenue	544,576	551,313
Current portion of operating lease obligations	81,847	70,384
Total current liabilities	<u>787,841</u>	<u>770,236</u>
Long-Term Liabilities		
Deferred revenue, net of current	57,618	55,419
Operating lease obligations, net of current portion	262,096	324,730
Total long-term liabilities	<u>319,714</u>	<u>380,149</u>
Total liabilities	<u>1,107,555</u>	<u>1,150,385</u>
Net Assets		
Without donor restrictions		
Board-designated endowment	500,000	-
Undesignated	751,173	1,374,913
Total without donor restrictions	<u>1,251,173</u>	<u>1,374,913</u>
With donor restrictions	185,366	158,608
Total net assets	<u>1,436,539</u>	<u>1,533,521</u>
Total liabilities and net assets	<u>\$ 2,544,094</u>	<u>\$ 2,683,906</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Membership dues	\$ 986,836	\$ -	\$ 986,836
Credentialing and accreditation	630,650	-	630,650
Conference fees	362,062	-	362,062
Education sales, net of cost of sales of \$6,244	175,096	-	175,096
Sponsorships	68,323	-	68,323
Total operating revenue	<u>2,222,967</u>	<u>-</u>	<u>2,222,967</u>
Operating Support			
Grants and contributions	475,905	74,359	550,264
Net assets released from restrictions			
Satisfaction of purpose restrictions	11,405	(11,405)	-
Expiration of time restrictions	36,196	(36,196)	-
Total operating support	<u>523,506</u>	<u>26,758</u>	<u>550,264</u>
Total operating revenue and support	<u>2,746,473</u>	<u>26,758</u>	<u>2,773,231</u>
Operating Expenses			
Program services	2,311,880	-	2,311,880
Supporting services			
General and administrative	569,284	-	569,284
Fundraising	19,562	-	19,562
Total operating expenses	<u>2,900,726</u>	<u>-</u>	<u>2,900,726</u>
Total operating revenue and support in excess (deficit) of operating expenses	<u>(154,253)</u>	<u>26,758</u>	<u>(127,495)</u>
Other Changes			
Miscellaneous income	24,026	-	24,026
Interest income	6,487	-	6,487
Total other changes	<u>30,513</u>	<u>-</u>	<u>30,513</u>
Change in Net Assets	<u>(123,740)</u>	<u>26,758</u>	<u>(96,982)</u>
Net Assets, Beginning of Year	<u>1,374,913</u>	<u>158,608</u>	<u>1,533,521</u>
Net Assets, End of Year	<u>\$ 1,251,173</u>	<u>\$ 185,366</u>	<u>\$ 1,436,539</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
Credentialing and accreditation	527,584	-	527,584
Education sales, net of cost of sales of \$17,211	217,893	-	217,893
Conference fees	110,565	-	110,565
Sponsorships	50,923	-	50,923
Total operating revenue	1,922,731	-	1,922,731
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	457,389	25,927	483,316
Total operating revenue and support	2,380,120	25,927	2,406,047
Operating Expenses			
Program services	1,829,640	-	1,829,640
Supporting services			
General and administrative	431,733	-	431,733
Fundraising	25,319	-	25,319
Total operating expenses	2,286,692	-	2,286,692
Total operating revenue and support in excess of operating expenses	93,428	25,927	119,355
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	204,533	-	204,533
Change in Net Assets	297,961	25,927	323,888
Net Assets, Beginning of Year	1,076,952	132,681	1,209,633
Net Assets, End of Year	\$ 1,374,913	\$ 158,608	\$ 1,533,521

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, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 811,232	\$ 259,594	\$ 10,816	\$ 1,081,642
Employee benefits	79,913	25,572	1,066	106,551
Payroll taxes	75,886	24,284	1,012	101,182
Total personnel costs	967,031	309,450	12,894	1,289,375
Grants	424,966	-	-	424,966
Consulting and purchased services	172,111	25,718	-	197,829
Conferences	177,264	-	-	177,264
Legal and professional fees	60,468	87,015	-	147,483
Information technology	121,758	21,486	-	143,244
Depreciation	52,929	21,172	1,512	75,613
Evaluator fees	73,287	-	-	73,287
Occupancy	48,113	10,825	1,203	60,141
Dues and subscriptions	11,263	42,371	-	53,634
Bank and credit card fees	40,563	9,756	1,027	51,346
Printing and publications	45,557	2,423	485	48,465
Postage and shipping	27,963	4,552	-	32,515
Travel	27,857	281	-	28,138
Meetings	14,140	4,444	1,616	20,200
Telephone	13,141	2,957	329	16,427
Equipment rent	-	13,122	-	13,122
Marketing and fundraising	10,814	1,824	391	13,029
Supplies	3,812	8,894	-	12,706
Insurance	7,149	1,378	86	8,613
Curriculum	8,300	-	-	8,300
Miscellaneous expenses	2,296	807	-	3,103
Professional development	1,098	809	19	1,926
Total operating expenses	\$ 2,311,880	\$ 569,284	\$ 19,562	\$ 2,900,726

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, 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
Conferences and meetings	51,296	-	-	51,296
Bank and credit card fees	40,229	9,675	1,019	50,923
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	11,747	119	-	11,866
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
Marketing and fundraising	4,081	680	170	4,931
Miscellaneous expenses	2,227	783	-	3,010
Region outreach and member benefits	2,898	-	-	2,898
Program expenses	38	57	1,810	1,905
Total operating expenses	\$ 1,829,640	\$ 431,733	\$ 25,319	\$ 2,286,692

Professional Association of Therapeutic Horsemanship International

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ (96,982)	\$ 323,888
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	75,613	58,810
Gain on debt forgiveness	-	(199,000)
Noncash effect on change in right-of-use assets and leases	(15,429)	6,358
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(6,387)	(2,700)
Grants and pledges receivable	(10,185)	(3,196)
Inventories	985	(1,295)
Prepaid expenses	(24,489)	64,631
Accounts payable	13,441	21,168
Grants payable	(10,578)	-
Accrued compensation and benefits	10,016	(2,850)
Refundable advances	-	(26,003)
Deferred revenue	(4,538)	7,185
Net cash provided (used) by operating activities	<u>(68,533)</u>	<u>246,996</u>
Cash Flows From Investing Activities		
Purchases of investments	(125,000)	-
Purchases of property and equipment	(26,998)	(118,375)
Net cash used by investing activities	<u>(151,998)</u>	<u>(118,375)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(220,531)	128,621
Cash and Cash Equivalents, Beginning of Year	1,819,894	1,691,273
Cash and Cash Equivalents, End of Year	\$ <u>1,599,363</u>	\$ <u>1,819,894</u>

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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 statements of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses, if any, are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

Fair Value Measurements (continued).

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2023 and 2022.

In general, investments are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

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, 2023 and 2022, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Grants and Pledges Receivable. Grants and pledges receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible amounts. The allowance for uncollectible grants and pledges is estimated based on management's review of specific contributions outstanding. As of June 30, 2023 and 2022, management believes all grants and pledges 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.

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.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

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, 2023 and 2022.

Refundable Advances. Grant funding amounts 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.

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.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

Board-Designated Endowment. During the year ended June 30, 2023, the Organization's Board of Directors created a board-designated endowment ("the Fund" or "the endowment") as a contingency reserve for the Organization. The Organization's Board of Directors has determined that this designation of the Organization's net assets meets the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of Colorado in 2008. The Organization requires the preservation of the fair value of the Fund's original corpus of \$500,000. It is the intent of the Fund that any earnings of the Fund be used to provide for member benefits.

As a result of this interpretation, the Organization generally classifies as board-designated endowment net assets (a) the original value of funds transferred into the Fund, (b) the original value of subsequent transfers to the Fund, and (c) accumulations to the Fund made in accordance under the direction of the endowment policy as adopted by the board of directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the board-designated endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Endowment Investment Policies. The Organization has adopted investment policies that include a conservative risk tolerance to ensure the long-term stability of its endowment fund. To achieve the objective of the endowment, the investment policy attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the Fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the Fund to unacceptable levels of risk.

Endowment Spending Policies. No distribution shall be made from the Fund if the corpus of the Fund falls below \$500,000. Thereafter, annual distributions from the Fund shall generally not exceed 100% of the net investment earnings from the previous fiscal year. Provided that there were investment earnings from the Fund during the previous fiscal year, the Organization may make distributions from the Fund in accordance with the direction of the endowment policy.

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.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

Revenue Recognition (continued).

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>2023</u>	<u>2022</u>
Accounts receivable, beginning of year	\$ 3,613	\$ 913
Accounts receivable, end of year	\$ 10,000	\$ 3,613
Contract liabilities, beginning of year	\$ 606,732	\$ 599,547
Contract liabilities, end of year	\$ 602,194	\$ 606,732

Accounting Policies and Practical Expedients Elected. The Organization has elected 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.

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, 2023 and 2022.

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.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

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

The Organization is subject to unrelated business income tax on its advertising income. As of June 30, 2023, the Organization has incurred an accumulated net operating loss carryforward of approximately \$25,954. 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, 2022 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 January 24, 2024, the date at which the financial statements were available for release.

Note 2 – Fair Value Measurement

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of fair value levels.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Equipment and software	\$ 418,700	\$ 385,507
Furniture and fixtures	29,536	29,536
	<u>448,236</u>	415,043
Less accumulated depreciation	(285,000)	(209,386)
Work in progress	-	6,194
Net property and equipment	<u>\$ 163,236</u>	<u>\$ 211,851</u>

Depreciation expense totaled \$75,613 and \$58,810 for the years ended June 30, 2023 and 2022, respectively. Amortization of software is included in depreciation expense.

Note 4 – Right-of-Use Assets

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

	<u>2023</u>	<u>2022</u>
Right-of-use assets under operating leases (equipment)	\$ 48,184	\$ 48,184
Right-of-use assets under operating leases (facility)	617,259	617,259
Less accumulated amortization	(336,909)	(301,167)
Net right-of-use assets	<u>\$ 328,534</u>	<u>\$ 364,276</u>

Annual amortization for the years ended June 30, 2023 and 2022 was \$90,430 and \$72,633, respectively.

Note 5 – Board-Designated Endowment Fund

In an effort to support the Organization's long-range financial future and to help establish a contingency reserve, the board of trustees has designated an endowment fund of \$500,000 at June 30, 2023. This fund is an internally-imposed designation and is included in net assets without donor restrictions.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Board Designated</u>
Endowment net assets, beginning of year	\$ -
Additions	500,000
Endowment net assets, end of year	<u>\$ 500,000</u>

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 – Gain on Debt Forgiveness

In January 2021, the Organization received a loan from BOK Financial in the amount of \$199,000, pursuant to the Paycheck Protection Program under The Economic Act to Hard-Hit Small Businesses, Nonprofits, and Venues Act, which was enacted in December 2020.

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

Note 7 – Lease Commitments and Subsequent Event

Operating lease obligations consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Operating lease agreement for commercial facility in Westminster, Colorado; monthly payment of \$6,794 as of June 30, 2023; 111-month lease term expiring June 2027	\$ 320,318	\$ 364,373
Operating lease agreement for copier machine; monthly payment of \$546 as of June 30, 2023; 72-month lease term expiring March 2025	11,199	16,801
Operating lease agreement for mail equipment; monthly payment of \$230 as of June 30, 2023; 72-month lease term expiring April 2028	<u>12,426</u>	<u>13,940</u>
Total	343,943	395,114
Less current portion, discounted	<u>(81,847)</u>	<u>(70,384)</u>
Operating lease obligations, net of current portion, net of unamortized present value discount	<u>\$ 262,096</u>	<u>\$ 324,730</u>
Weighted average discount rate at June 30	4.86%	5.00%
Weighted average remaining lease term at June 30	3.96 years	4.5 years

Future annual undiscounted minimum lease payments required under the noncancelable operating leases are as follows at June 30, 2023:

Year ended June 30	Facility	Equipment	Total
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
2028	-	2,299	2,299
	<u>\$ 339,882</u>	<u>\$ 24,803</u>	<u>\$ 364,685</u>

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2023 and 2022

Note 7 – Lease Commitments and Subsequent Event (continued)

Subsequent Event. Subsequent to the year ended June 30, 2023, the Organization entered into a lease agreement for a printer. The commitment requires a lease payment of \$604 per month and expires on January 9, 2029.

Note 8 – Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2023:

	<u>July 1, 2022</u> Balance	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2023</u> Balance
Time restricted				
Grants and pledges receivable	\$ 36,196	\$ 56,381	\$ 36,196	\$ 56,381
Purpose restricted				
Accreditation Funds	1,900	2,700	-	4,600
Disaster relief	11,361	3,018	2,000	12,379
Equine service for heroes	2,307	120	-	2,427
Regional speakers	10,059	5,000	-	15,059
Rider's assistance fund	28,405	355	2,205	26,555
Scholarships	68,380	6,785	7,200	67,965
	<u>\$ 158,608</u>	<u>\$ 74,359</u>	<u>\$ 47,601</u>	<u>\$ 185,366</u>

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

	<u>July 1, 2021</u> Balance	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2022</u> Balance
Time restricted				
Grants and pledges 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>

Note 9 – 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 \$15,000 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 \$18,168 and \$23,302 to the plan for the years ended June 30, 2023 and 2022, respectively.

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Notes to Financial Statements

June 30, 2023 and 2022

Note 10 – 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, 2023 and 2022, the level of liquidity and reserves was managed within these guiding principles.

	<u>2023</u>	<u>2022</u>
Financial assets at June 30:		
Cash and cash equivalents	\$ 1,599,363	\$ 1,819,894
Investments	125,000	-
Accounts receivable	10,000	3,613
Grants and pledges receivable	<u>46,381</u>	<u>36,196</u>
	<u>1,780,744</u>	1,859,703
Less: amounts not available for general expenditures within one year		
Board-designated endowment	<u>(500,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,280,744</u>	<u>\$ 1,859,703</u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of June 30, 2023 will be fully released during the next fiscal year.