

DAYS END FARM HORSE RESCUE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 AND 2015



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Days End Farm Horse Rescue, Inc.
Woodbine, Maryland

We have audited the accompanying financial statements of Days End Farm Horse Rescue, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses (pages 21 - 22) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
November 21, 2016

DAYS END FARM HORSE RESCUE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 866,686	\$ 689,364
Accounts receivable	18,350	21,230
Contributions receivable	109,917	158,332
Prepaid expenses	21,293	15,202
Deferred fees, net	1,208	1,208
Total current assets	1,017,454	885,336
Investments	31,270	36,795
Beneficial interest in trust	123,764	133,697
Property and equipment, net	1,285,089	1,252,639
Deferred fees, net, non-current	5,335	6,543
Total assets	\$ 2,462,912	\$ 2,315,010
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 72,917	\$ 60,462
Notes payable	34,802	26,471
Total current liabilities	107,719	86,933
Notes payable, non-current	833,914	838,441
Total liabilities	941,633	925,374
Net assets:		
Unrestricted	1,281,396	1,147,355
Unrestricted, board designated	-	12,500
Total unrestricted net assets	1,281,396	1,159,855
Temporarily restricted	116,119	96,084
Permanently restricted	123,764	133,697
Total net assets	1,521,279	1,389,636
Total liabilities and net assets	\$ 2,462,912	\$ 2,315,010

See accompanying notes to the financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 1,097,730	\$ 55,783	\$ -	\$1,153,513
In-kind contributions	241,450	-	-	241,450
Special events	157,888	-	-	157,888
Program service fees	111,521	-	-	111,521
Retail sales, net of merchandise cost of \$11,445	16,997	-	-	16,997
Other income	1,583	-	-	1,583
Investment loss	(838)	-	-	(838)
Unrealized loss, beneficial interest in trust	-	-	(9,933)	(9,933)
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>35,748</u>	<u>(35,748)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,662,079</u>	<u>20,035</u>	<u>(9,933)</u>	<u>1,672,181</u>
Expenses:				
Program services	<u>1,325,075</u>	<u>-</u>	<u>-</u>	<u>1,325,075</u>
Support services:				
Management and general	171,065	-	-	171,065
Fundraising	<u>44,398</u>	<u>-</u>	<u>-</u>	<u>44,398</u>
Total support services	<u>215,463</u>	<u>-</u>	<u>-</u>	<u>215,463</u>
Total expenses	<u>1,540,538</u>	<u>-</u>	<u>-</u>	<u>1,540,538</u>
Change in net assets	121,541	20,035	(9,933)	131,643
Net assets, beginning of year	<u>1,159,855</u>	<u>96,084</u>	<u>133,697</u>	<u>1,389,636</u>
Net assets, end of year	<u>\$ 1,281,396</u>	<u>\$ 116,119</u>	<u>\$ 123,764</u>	<u>\$1,521,279</u>

See accompanying notes to the financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 1,158,216	\$ 31,653	\$ -	\$ 1,189,869
In-kind contributions	223,433	-	-	223,433
Special events	127,097	-	-	127,097
Program service fees	115,475	-	-	115,475
Retail sales, net of merchandise cost of \$12,231	19,088	-	-	19,088
Investment income	3,869	-	-	3,869
Other income	2,000	-	-	2,000
Unrealized loss, beneficial interest in trust	-	-	(3,149)	(3,149)
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>158,354</u>	<u>(158,354)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,807,532</u>	<u>(126,701)</u>	<u>(3,149)</u>	<u>1,677,682</u>
Expenses:				
Program services	<u>1,344,156</u>	<u>-</u>	<u>-</u>	<u>1,344,156</u>
Support services:				
Management and general	167,772	-	-	167,772
Fundraising	<u>40,892</u>	<u>-</u>	<u>-</u>	<u>40,892</u>
Total support services	<u>208,664</u>	<u>-</u>	<u>-</u>	<u>208,664</u>
Total expenses	<u>1,552,820</u>	<u>-</u>	<u>-</u>	<u>1,552,820</u>
Change in net assets	254,712	(126,701)	(3,149)	124,862
Net assets, beginning of year	<u>905,143</u>	<u>222,785</u>	<u>136,846</u>	<u>1,264,774</u>
Net assets, end of year	<u>\$ 1,159,855</u>	<u>\$ 96,084</u>	<u>\$ 133,697</u>	<u>\$ 1,389,636</u>

See accompanying notes to the financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ <u>131,643</u>	\$ <u>124,862</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,105	41,745
Unrealized loss on beneficial interest in trust	9,933	3,149
Unrealized loss on investments	9,718	26,655
Realized gains on sale of investments	(7,600)	(28,512)
Donated stock	(10,473)	(34,694)
Donated property and equipment	(21,228)	(17,000)
Amortization of deferred financing costs	1,208	705
Decrease (increase) in assets:		
Accounts receivable	2,880	(19,155)
Contributions receivable	48,415	29,562
Prepaid expenses	(6,091)	(4,569)
Deferred fees	-	(8,456)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>12,455</u>	<u>15,982</u>
Total adjustments	<u>78,322</u>	<u>5,412</u>
Net cash provided by operating activities	<u>209,965</u>	<u>130,274</u>
Cash flows from investing activities:		
Purchases of property and equipment	(16,122)	(264,659)
Purchases of investments	(364)	(649)
Proceeds from sales of investments	<u>14,244</u>	<u>98,432</u>
Net cash used in investing activities	<u>(2,242)</u>	<u>(166,876)</u>
Cash flows from financing activities:		
Principal payment on note payable	(30,946)	(15,088)
Proceeds from issuance of note payable	<u>545</u>	<u>-</u>
Net cash used in financing activities	<u>(30,401)</u>	<u>(15,088)</u>
Net increase (decrease) in cash and cash equivalents	177,322	(51,690)
Cash and cash equivalents, beginning of year	<u>689,364</u>	<u>741,054</u>
Cash and cash equivalents, end of year	<u>\$ 866,686</u>	<u>\$ 689,364</u>

-- continued --

See accompanying notes to the financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ <u>45,427</u>	\$ <u>26,422</u>
Non-cash investing and financing transactions:		
Issuance of note payable for acquisition of farm property and equipment	\$ <u>34,750</u>	\$ <u>880,000</u>

See accompanying notes to the financial statements.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Organization

Days End Farm Horse Rescue, Inc. (the Organization) is a nonprofit, volunteer based, animal welfare organization established in 1989 to ensure quality care and treatment for horses through rehabilitation, humane education and community outreach. The Organization offers adoption to qualified, pre-screened homes and performs annual follow-up visits to guarantee proper treatment, safety and well being. The volunteer program offers training on horse care, rehabilitation of abused and neglected horses, stable management and teaches compassion to adults and young adults (twelve years and older). Through the humane educational programs, the Organization staff visits schools, civic organizations, and area 4-H clubs to provide information on: the proper care of horses, case studies of abused and neglected horses, the cycle of violence and possible solutions to the problem so that individuals learn how to help. The Organization provides support service to animal control and humane societies as purveyors of shelter, transportation and care of destitute horses involved in cruelty investigations or as strays. The Organization offers continuing education such as: hands-on cruelty investigation training for Animal Control officers and humane societies, and classes for Fire and Rescue departments and horse owners in large animal rescue techniques. The Organization also provides emergency rescue services to horses at the request of their veterinarians or other emergency personnel and provides disaster services in response to manmade or natural disasters.

During 2014, the Organization exercised an option in its operating lease to purchase 58.3 acres of land in Woodbine, Maryland. In November 2014, the Organization completed the transaction to purchase this land and related improvements for \$1.1 million. See notes 6, 7, 8 and 12 for further details.

2. Summary of significant accounting policies

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion. There were no board designated net assets at June 30, 2016. Included in unrestricted net assets at June 30, 2015 are \$12,500 of board designated funds. During the year ended June 30, 2015 the board designated \$20,000 and \$12,500 for lumber removal and database support, respectively. During the year ended June 30, 2015, the Organization used \$16,000 and \$4,000 of board designated funds for lumber removal and database support, respectively. During the year ended June 30, 2016, the Organization used \$7,974 of funds for Database support. The remaining funds of \$4,000 and \$526 for lumber removal and database support were released by the board during the year ended June 30, 2016.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine 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. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 or 3 inputs for any assets or liabilities held by the Organization at June 30, 2016 and 2015.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended June 30, 2016 and 2015, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

DAYS END FARM HORSE RESCUE, INC.
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The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2016 and 2015, the Organization had no uncertain tax positions which should be recognized as a liability.

Cash and cash equivalents

For financial statement purposes, the Organization considers highly liquid investments with an original maturity of three months or less as cash equivalents.

Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2016 and 2015, management estimates that all accounts receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2016 and 2015, management estimates that all contribution receivables are fully collectible, therefore no allowance for doubtful contributions receivable had been recognized.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Organization purchases investment instruments that are exposed to risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	39 years
New farm acquisitions	10 - 25 years
Farm equipment	3 - 15 years
Vehicles	3 - 5 years
Office and computer equipment	3 - 5 years

The Organization's policy is to capitalize major additions and improvements over \$1,000 and estimated useful lives greater than three years. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Revenue recognition

Contributions, grants and combined federal campaign contributions

Contributions, grants and combined federal campaign contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Program service fees

Program revenue consists primarily of fees generated from the Organization's Legacy and adoption programs. Fees are recognized as revenue in the period in which services are provided.

Special events

Special fundraising events are recognized in the period the event takes place net of the direct benefits provided to the donors.

Merchandise sales

Merchandise sales are recognized in the period the merchandise is sold net of cost of sales.

DAYS END FARM HORSE RESCUE, INC.
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In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Many individuals volunteer their time and perform a variety of tasks that assists the Organization. The value of these contributed services is not recorded as in-kind contributions since the criteria for recognition was not met under the standards.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

3. Concentrations of credit risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2016 and 2015, the Organization had bank deposits in excess of FDIC limits of \$457,167 and \$309,221, respectively.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Investments and fair value measurements

Investments are measured at fair value using Level 1 inputs and are comprised of the following at June 30:

	<u>2016</u> Cost	<u>2016</u> Fair Value	<u>2015</u> Cost	<u>2015</u> Fair Value
Common stock	\$ 5,069	\$ 4,302	\$ 11,241	\$ 20,006
Fixed income mutual funds	<u>21,606</u>	<u>26,968</u>	<u>11,242</u>	<u>16,789</u>
Total investments	<u>\$ 26,675</u>	<u>\$ 31,270</u>	<u>\$ 22,483</u>	<u>\$ 36,795</u>

Investment (loss) income is comprised of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,280	\$ 2,012
Unrealized loss on investments	(9,718)	(26,655)
Realized gains on sale of investments	<u>7,600</u>	<u>28,512</u>
Total investment (loss) income	<u>\$ (838)</u>	<u>\$ 3,869</u>

5. Beneficial interest in trust

The Organization has a beneficial interest in a perpetual trust along with two other organizations that distributes one-third of 5% of its fair value to the Organization on an annual basis. The trust invests in publicly traded investments with readily determinable fair values based on quoted prices in active markets. The Organization carries its interest in the trust at the fair value of the underlying investments. The fair value of the trust is recorded as permanently restricted net assets and the changes in its fair value are classified as changes in permanently restricted net assets.

The trust had the following net asset composition reported at fair value at June 30:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 4,133	\$ 4,672
Bond mutual funds	39,351	22,741
Equity mutual funds	<u>80,280</u>	<u>106,284</u>
Total beneficial interest in trust	<u>\$ 123,764</u>	<u>\$ 133,697</u>

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Fair value is measured using Level 1 inputs at June 30, 2016 and 2015 determined by reference to quoted market prices and other relevant information generated by market transactions.

6. Property and equipment, net

The following is a summary of property and equipment held at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 688,050	\$ 688,050
Buildings and improvements	509,753	505,375
New farm acquisitions	37,830	29,502
Farm equipment	135,407	89,413
Vehicles	95,837	85,837
Office and computer equipment	<u>14,694</u>	<u>11,839</u>
Property and equipment	1,481,571	1,410,016
Accumulated depreciation and amortization	<u>(196,482)</u>	<u>(157,377)</u>
Total property and equipment, net	<u>\$ 1,285,089</u>	<u>\$ 1,252,639</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$39,105 and \$41,745, respectively.

7. Deferred fees, net

As part of the note payable obligation for the farm acquisition, the Organization incurred loan origination and other settlement fees totaling \$8,456 on November 14, 2014. Such fees are being amortized over the life of the note, which is 7 years. Deferred fees are presented in the statement of financial position net of accumulated amortization. Total amortization expense for the years ended June 30, 2016 and 2015 was \$1,208 and \$705, respectively.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. Notes payable

Notes payable consist of the following at June 30:

	2016	2015
Promissory note dated November 2014, in the amount of \$880,000, with an annual interest rate of 5.24 percent. The note calls for monthly principal and interest payments of \$5,930 for eighty-three months with a balloon payment of the remaining principal and accrued interest in November 2021. The Organization is in compliance with all loan covenants for the years ended June 30, 2016 and 2015. The note is secured by property.	\$ 839,179	\$ 864,912
Non-interest bearing promissory note dated October 2015, in the amount of \$34,750. The note calls for monthly principal payments of \$579 for sixty months. The note is secured by farm equipment.	29,537	-
Total notes payable	868,716	864,912
Current portion, notes payable	(34,802)	(26,471)
Non-current portion, notes payable	\$ 833,914	\$ 838,441

Aggregate future maturities of note payable are as follows for the years ending June 30:

2017	\$	34,802
2018		36,295
2019		37,870
2020		39,529
2021 and thereafter		720,220
Total	\$	868,716

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

9. Temporarily restricted net assets

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015 for the following purposes:

	<u>2016</u>	<u>2015</u>
Horse medical expenses	\$ 4,280	\$ 14,304
Donor designated projects	8,359	6,274
Farm equipment	10,817	-
Prep site for new composter	5,000	-
Sling package	-	4,000
Time restricted	4,850	1,200
Legacy program	-	2,000
Horse training	800	1,310
Eagle scout project	642	300
New farm	-	128,966
Lenticular cards	<u>1,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 35,748</u>	<u>\$ 158,354</u>

At June 30, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
New arena - critical care	67,420	67,420
Electric sling brace	10,000	10,000
Donor designated projects	4,922	7,987
Truck fund	23,677	10,677
Time restricted	3,000	-
Farm equipment	600	-
Horse training	<u>6,500</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 116,119</u>	<u>\$ 96,084</u>

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. Retirement plan

On January 1, 2012, the Organization established a SIMPLE Individual Retirement Account plan for employees receiving at least \$5,000 in compensation. The Organization matches employees' contributions up to 3% of an employee's salary. Retirement plan expense was \$9,788 and \$7,184 for the years ended June 30, 2016 and 2015, respectively.

11. Donated goods and services

The Organization received in-kind contributions primarily in the form of donated supplies and equipment. The value of contributed supplies was \$233,110 and \$215,809, of which \$21,228 and \$17,000 have been capitalized as property and equipment for the years ended June 30, 2016 and 2015, respectively. The Organization also received donated veterinary services valued at \$8,340 and \$7,624 for the years ended June 30, 2016 and 2015, respectively. All in-kind goods and services are included in program services.

Certain donated services have not been recorded in the financial statements since they did not meet the criteria for recognition. Volunteer hours for farm work and data entry valued at \$12.00 per hour totaled \$597,159 and \$640,518 for the years ended June 30, 2016 and 2015, respectively.

12. Commitment

Operating lease

The Organization leased farm land under a 5-year lease ending December 2015 with monthly payments of \$6,000 increasing by 1.5% every February. The Organization exercised the option to purchase the property at its appraised value from the landlord in 2014, effectively canceling the terms of the lease. There was no rent expense for the year ended June 30, 2016. Rent expense was \$17,403 for the year ended June 30, 2015.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

13. Related party transactions

The Organization entered into a month to month lease with a related organization for use of other farm land to provide for additional shelter capacity. The agreement is based on annual analyses of current market rates. Rent expense was \$28,800 and \$24,800 for the years ended June 30, 2016 and 2015, respectively.

14. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 21, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

SUPPLEMENTAL INFORMATION

DAYS END FARM HORSE RESCUE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program services	Management and general	Fundraising	Total support services	Total expenses
Salaries and payroll expenses	\$ 522,286	\$ 92,726	\$ 22,021	\$ 114,747	\$ 637,033
Professional fees	92,569	28,073	450	28,523	121,092
Contributed services	8,340	-	-	-	8,340
Supplies	125,146	1,879	445	2,324	127,470
Contributed supplies	211,882	-	-	-	211,882
Occupancy	147,459	16,955	2,718	19,673	167,132
Printing and postage	15,899	-	15,899	15,899	31,798
Advertising	150	12,272	-	12,272	12,422
Equipment rental and maintenance	29,736	827	197	1,024	30,760
Other	2,946	119	5	124	3,070
Depreciation and amortization	31,083	8,022	-	8,022	39,105
Bank and internet processing fees	-	7,907	-	7,907	7,907
Public awareness and education	36,937	-	-	-	36,937
Licenses	5,645	1,011	240	1,251	6,896
Dues and subscriptions	3,593	644	153	797	4,390
Office expense	151	-	2,120	2,120	2,271
Training and employee relations	3,514	630	150	780	4,294
Farm expense	1,736	-	-	-	1,736
Special events	<u>86,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,003</u>
Total expenses	<u>\$ 1,325,075</u>	<u>\$ 171,065</u>	<u>\$ 44,398</u>	<u>\$ 215,463</u>	<u>\$ 1,540,538</u>

DAYS END FARM HORSE RESCUE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program services	Management and general	Fundraising	Total support services	Total expenses
Salaries and payroll expenses	\$ 567,948	\$ 89,907	\$ 21,575	\$ 111,482	\$ 679,430
Professional fees	80,373	31,156	369	31,525	111,898
Contributed services	7,624	-	-	-	7,624
Supplies	133,909	1,703	410	2,113	136,022
Contributed supplies	198,809	-	-	-	198,809
Occupancy	143,930	13,979	2,102	16,081	160,011
Printing and postage	14,253	-	14,253	14,253	28,506
Advertising	211	9,706	-	9,706	9,917
Equipment rental and maintenance	41,853	2,560	615	3,175	45,028
Other	4,116	20	5	25	4,141
Depreciation and amortization	33,182	8,563	-	8,563	41,745
Bank and internet processing fees	-	7,383	-	7,383	7,383
Public awareness and education	28,812	-	-	-	28,812
Licenses	6,772	1,080	259	1,339	8,111
Dues and subscriptions	5,541	884	212	1,096	6,637
Office expense	-	-	892	892	892
Training and employee relations	5,210	831	200	1,031	6,241
Farm expense	3,982	-	-	-	3,982
Special events	67,631	-	-	-	67,631
	<u>67,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,631</u>
Total expenses	<u>\$ 1,344,156</u>	<u>\$ 167,772</u>	<u>\$ 40,892</u>	<u>\$ 208,664</u>	<u>\$ 1,552,820</u>