

***DAYS END FARM HORSE RESCUE, INC.***

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015 AND 2014



**Halt Buzas &  
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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1199 North Fairfax Street  
10<sup>th</sup> Floor  
Alexandria, Virginia 22314  
p 703.836.1350  
f 703.836.2159

2200 Defense Highway  
Suite 403  
Crofton, MD 21114  
p 410.451.5150  
f 410.451.5149

[www.cpas4you.com](http://www.cpas4you.com)

## **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 December 31, 2015 and 2014, 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 December 31, 2015 and 2014, 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  
May 24, 2016

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 775,239	\$ 635,761
Investments	31,112	28,583
Accounts receivable	4,354	-
Contributions receivable	226,460	224,734
Beneficial interest in trust	126,988	135,719
Prepaid expenses	7,673	12,847
Property and equipment, net	1,287,868	1,240,889
Deferred fees, net	7,147	8,355
 Total assets	 \$ 2,466,841	 \$ 2,286,888
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	42,902	48,534
Notes payable	885,228	877,400
 Total liabilities	 928,130	 925,934
 Net assets:		
Unrestricted	1,297,465	1,123,870
Unrestricted, board designated	6,478	-
 Total unrestricted net assets	 1,303,943	 1,123,870
Temporarily restricted	107,780	101,365
Permanently restricted	126,988	135,719
 Total net assets	 1,538,711	 1,360,954
 Total liabilities and net assets	 \$ 2,466,841	 \$ 2,286,888

See accompanying notes to the financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 1,101,065	\$ 51,886	\$ -	\$1,152,951
In-kind contributions	228,134	-	-	228,134
Program service fees	124,025	-	-	124,025
Combined federal campaign contributions	89,181	-	-	89,181
Special events, net of direct donor benefits of \$67,622	63,632	-	-	63,632
Retail sales, net of merchandise cost of \$11,569	20,734	-	-	20,734
Other income	1,800	-	-	1,800
Investment income	1,294	-	-	1,294
Unrealized loss, beneficial interest in trust	-	-	(8,731)	(8,731)
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>45,471</u>	<u>(45,471)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,675,336</u>	<u>6,415</u>	<u>(8,731)</u>	<u>1,673,020</u>
Expenses:				
Program services	<u>1,272,054</u>	<u>-</u>	<u>-</u>	<u>1,272,054</u>
Support services:				
Management and general	159,024	-	-	159,024
Fundraising	<u>64,185</u>	<u>-</u>	<u>-</u>	<u>64,185</u>
Total support services	<u>223,209</u>	<u>-</u>	<u>-</u>	<u>223,209</u>
Total expenses	<u>1,495,263</u>	<u>-</u>	<u>-</u>	<u>1,495,263</u>
Change in net assets	180,073	6,415	(8,731)	177,757
Net assets, beginning of year	<u>1,123,870</u>	<u>101,365</u>	<u>135,719</u>	<u>1,360,954</u>
Net assets, end of year	<u>\$ 1,303,943</u>	<u>\$ 107,780</u>	<u>\$ 126,988</u>	<u>\$1,538,711</u>

See accompanying notes to the financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 1,160,229	\$ 33,816	\$ -	\$ 1,194,045
In-kind contributions	250,757	-	-	250,757
Combined federal campaign contributions	109,837	-	-	109,837
Program service fees	98,087	-	-	98,087
Special events, net of direct donor benefits of \$65,342	61,638	-	-	61,638
Retail sales, net of merchandise cost of \$13,685	16,933	-	-	16,933
Investment income	7,823	-	-	7,823
Other income	1,223	-	-	1,223
Unrealized gain, beneficial interest in trust	-	-	657	657
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>151,644</u>	<u>(151,644)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,858,171</u>	<u>(117,828)</u>	<u>657</u>	<u>1,741,000</u>
Expenses:				
Program services	<u>1,289,741</u>	<u>-</u>	<u>-</u>	<u>1,289,741</u>
Support services:				
Management and general	156,086	-	-	156,086
Fundraising	<u>54,498</u>	<u>-</u>	<u>-</u>	<u>54,498</u>
Total support services	<u>210,584</u>	<u>-</u>	<u>-</u>	<u>210,584</u>
Total expenses	<u>1,500,325</u>	<u>-</u>	<u>-</u>	<u>1,500,325</u>
Change in net assets	357,846	(117,828)	657	240,675
Net assets, beginning of year	<u>766,024</u>	<u>219,193</u>	<u>135,062</u>	<u>1,120,279</u>
Net assets, end of year	<u>\$ 1,123,870</u>	<u>\$ 101,365</u>	<u>\$ 135,719</u>	<u>\$ 1,360,954</u>

See accompanying notes to the financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>177,757</u>	\$ <u>240,675</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,417	56,195
Unrealized loss (gain), beneficial interest in trust	8,731	(657)
Unrealized loss on investments	7,527	23,744
Realized gains on sale of investments	(7,600)	(28,512)
Donated stock	(16,472)	(38,388)
Donated property and equipment	(23,000)	(13,250)
Amortization of deferred financing costs	1,208	101
Decrease (increase) in assets:		
Accounts receivable	(1,726)	-
Contributions receivable	(4,356)	(37,296)
Prepaid expenses	5,174	(10,049)
Deferred fees	-	(8,456)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>(5,632)</u>	<u>(20,858)</u>
Total adjustments	<u>(2,729)</u>	<u>(77,426)</u>
Net cash provided by operating activities	<u>175,028</u>	<u>163,249</u>
Cash flows from investing activities:		
Purchases of property and equipment	(22,646)	(257,412)
Purchases of investments	(228)	(1,737)
Proceeds from sales of investments	<u>14,244</u>	<u>98,432</u>
Net cash used in investing activities	<u>(8,630)</u>	<u>(160,717)</u>
Cash flows from financing activities:		
Principal payment on note payable	<u>(26,920)</u>	<u>(2,600)</u>
Net cash used in financing activities	<u>(26,920)</u>	<u>(2,600)</u>
Net increase (decrease) in cash and cash equivalents	139,478	(68)
Cash and cash equivalents, beginning of year	<u>635,761</u>	<u>635,829</u>
Cash and cash equivalents, end of year	<u>\$ 775,239</u>	<u>\$ 635,761</u>

-- continued --

See accompanying notes to the financial statements.



**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ <u>45,976</u>	\$ <u>3,330</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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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:

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*Unrestricted Net Assets* represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion. Included in unrestricted net assets at December 31, 2015 are \$6,478 of board designated funds. During the year ended December 31, 2015, the board designated \$20,000 and \$12,500 for lumber removal and database support, respectively. During the year ended December 31, 2015, the Organization used \$16,000 and \$10,022 of board designated funds for lumber removal and database support, respectively.

*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.

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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 December 31, 2015 and 2014.

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 December 31, 2015 and 2014, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

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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 December 31, 2015 and 2014, 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 December 31, 2015 and 2014, management estimates that all 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 December 31, 2015 and 2014, management estimates that all receivables are fully collectible, therefore no allowance for doubtful contributions receivable had been recognized.

**DAYS END FARM HORSE RESCUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 FINANCIAL STATEMENTS**  
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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.

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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.

Reclassification

For comparative purposes, certain 2014 amounts have been reclassified to conform to the 2015 presentation.

**3. Concentrations of credit risk**

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2015 and 2014, the Organization had bank deposits in excess of FDIC limits of \$316,809 and \$232,079, respectively.



**DAYS END FARM HORSE RESCUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**4. Investments and fair value measurements**

Investments are measured at fair value using Level 1 inputs and are comprised of the following at December 31:

	<u>2015</u> Cost	<u>2015</u> Fair Value	<u>2014</u> Cost	<u>2014</u> Fair Value
Common stock	\$ 5,069	\$ 4,737	\$ 11,241	\$ 18,185
Fixed income mutual funds	<u>21,398</u>	<u>26,375</u>	<u>5,170</u>	<u>10,398</u>
Total investments	<u>\$ 26,467</u>	<u>\$ 31,112</u>	<u>\$ 16,411</u>	<u>\$ 28,583</u>

Investment income is comprised of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 1,221	\$ 3,055
Unrealized loss on investments	(7,527)	(23,744)
Realized gains on sale of investments	<u>7,600</u>	<u>28,512</u>
Total investment income	<u>\$ 1,294</u>	<u>\$ 7,823</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 December 31:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 10,298	\$ 5,571
Bond mutual funds	20,540	23,087
Equity mutual funds	<u>96,150</u>	<u>107,061</u>
Total beneficial interest in trust	<u>\$ 126,988</u>	<u>\$ 135,719</u>

**DAYS END FARM HORSE RESCUE, INC.**  
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Fair value is measured using Level 1 inputs at December 31, 2015 and 2014 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 December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 688,050	\$ 688,050
Buildings and improvements	509,328	497,374
New farm acquisitions	29,502	29,502
Farm equipment	129,088	83,646
Vehicles	95,837	72,837
Office and computer equipment	<u>11,839</u>	<u>11,839</u>
Property and equipment	1,463,644	1,383,248
Accumulated depreciation and amortization	<u>(175,776)</u>	<u>(142,359)</u>
Total property and equipment, net	<u>\$ 1,287,868</u>	<u>\$ 1,240,889</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$33,417 and \$56,195, 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 December 31, 2015 and 2014 was \$1,208 and \$101, respectively.

**DAYS END FARM HORSE RESCUE, INC.**  
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**8. Notes payable**

Notes payable consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
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 December 31, 2015 and 2014. The note is secured by property.	\$ 852,216	\$ 877,400
Non-interest bearing promissory note dated October 2015, in the amount of \$34,750. The note calls for monthly principal and interest payments of \$579 for sixty months. The note is secured by farm equipment.	<u>33,012</u>	<u>-</u>
Total notes payable	885,228	877,400
Current portion, notes payable	<u>(33,972)</u>	<u>(25,667)</u>
Non-current portion, notes payable	<u>\$ 851,256</u>	<u>\$ 851,733</u>

Aggregate future maturities of note payable are as follows for the years ending December 31:

2016	\$	33,972
2017		35,550
2018		37,085
2019		38,703
2020 and thereafter		<u>739,918</u>
Total	<u>\$</u>	<u>885,228</u>

**DAYS END FARM HORSE RESCUE, INC.**  
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**9. Temporarily restricted net assets**

Net assets were released from donor restrictions during the years ended December 31, 2015 and 2014 for the following purposes:

	<u>2015</u>	<u>2014</u>
Horse medical expenses	\$ 13,552	\$ 14,180
Donor designated projects	11,966	2,944
Farm equipment	7,311	-
Prep site for new composter	5,000	-
Sling package	4,000	-
Time restricted	1,200	-
Legacy program	1,000	1,554
Horse training	800	4,000
Eagle scout project	642	-
New farm	<u>-</u>	<u>128,966</u>
Total net assets released from restrictions	<u>\$ 45,471</u>	<u>\$ 151,644</u>

At December 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
New arena - critical care	67,420	67,420
Electric sling brace	10,000	10,000
Donor designated projects	9,052	12,067
Truck fund	15,678	10,678
Time restricted	4,850	1,200
Farm equipment	600	-
Horse medical expenses	<u>180</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 107,780</u>	<u>\$ 101,365</u>

**DAYS END FARM HORSE RESCUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 \$8,773 and \$6,731 for the years ended December 31, 2015 and 2014, 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 \$222,726 and \$242,043, of which \$23,000 and \$13,250 have been capitalized as property and equipment for the years ended December 31, 2015 and 2014, respectively. The Organization also received donated veterinary services valued at \$5,408 and \$8,714 for the years ended December 31, 2015 and 2014, 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 \$624,970 and \$606,528 for the years ended December 31, 2015 and 2014, 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 cancelling the terms of the lease. There was no rent expense for the year ended December 31, 2015. Rent expense was \$56,670 for the year ended December 31, 2014.

**DAYS END FARM HORSE RESCUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 \$27,200 and \$24,000 for the years ended December 31, 2015 and 2014, respectively.

**14. Subsequent events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 24, 2016, which is the date the financial statements were available to be issued. In December 2015, the Organization elected to change their fiscal year end to June 30. Except for the item noted, there were no additional 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 DECEMBER 31, 2015**

	Program services	Management and general	Fundraising	Total support services	Total expenses
Salaries and payroll expenses	\$ 559,842	\$ 81,644	\$ 38,561	\$ 120,205	\$ 680,047
Professional fees	83,929	29,648	874	30,522	114,451
Contributed services	5,408	-	-	-	5,408
Supplies	134,943	1,690	802	2,492	137,435
Contributed supplies	199,726	-	-	-	199,726
Occupancy	151,056	15,599	4,753	20,352	171,408
Printing and postage	14,823	-	14,823	14,823	29,646
Advertising	237	10,320	-	10,320	10,557
Equipment rental and maintenance	43,121	2,687	1,275	3,962	47,083
Other	3,743	121	10	131	3,874
Depreciation and amortization	26,562	6,855	-	6,855	33,417
Bank and internet processing fees	-	8,351	-	8,351	8,351
Public awareness and education	31,903	-	-	-	31,903
Licenses	7,429	1,095	519	1,614	9,043
Dues and subscriptions	5,142	758	359	1,117	6,259
Office expense	151	-	2,087	2,087	2,238
Training and employee relations	1,739	256	122	378	2,117
Farm expense	2,300	-	-	-	2,300
Total expenses	<u>\$ 1,272,054</u>	<u>\$ 159,024</u>	<u>\$ 64,185</u>	<u>\$ 223,209</u>	<u>\$ 1,495,263</u>



**DAYS END FARM HORSE RESCUE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program services	Management and general	Fundraising	Total support services	Total expenses
Salaries and payroll expenses	\$ 549,255	\$ 74,739	\$ 34,284	\$ 109,023	\$ 658,278
Professional fees	74,864	37,536	363	37,899	112,763
Contributed services	8,714	-	-	-	8,714
Supplies	129,376	1,430	639	2,069	131,445
Contributed supplies	228,793	-	-	-	228,793
Occupancy	154,936	8,794	2,038	10,832	165,768
Printing and postage	14,591	-	14,591	14,591	29,182
Advertising	794	11,377	-	11,377	12,171
Equipment rental and maintenance	28,405	782	349	1,131	29,536
Other	3,377	79	32	111	3,488
Depreciation and amortization	44,668	11,527	-	11,527	56,195
Bank and internet processing fees	-	7,398	-	7,398	7,398
Public awareness and education	31,191	-	-	-	31,191
Licenses	5,426	740	330	1,070	6,496
Dues and subscriptions	5,395	736	329	1,065	6,460
Office expense	626	-	1,120	1,120	1,746
Training and employee relations	6,952	948	423	1,371	8,323
Farm expense	2,378	-	-	-	2,378
Total expenses	<u>\$ 1,289,741</u>	<u>\$ 156,086</u>	<u>\$ 54,498</u>	<u>\$ 210,584</u>	<u>\$ 1,500,325</u>