

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

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2012 AND 2011



**Halt Buzas &  
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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

**TABLE OF CONTENTS**

Independent auditors' report.....1 - 2

*Audited financial statements*

Statements of financial position.....3

Statements of activities.....4 - 5

Statements of cash flows.....6

Notes to financial statements.....7 - 17

*Supplemental information*

Schedules of functional expenses.....18 - 19



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

**INDEPENDENT AUDITORS' REPORT**

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

1525 Pointer Ridge Place  
Suite 303  
Bowie, Maryland 20716  
p 301.218.8950  
f 301.218.8960

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

We have audited the accompanying financial statements of Days End Farm Horse Rescue, Inc. (DEFHR), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 DEFHR as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses for the year ended December 31, 2012 on page 18 is presented for purposes of additional analysis and is 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 audit 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 2012 financial statements as a whole.

The schedule of functional expenses for the year ended December 31, 2011 on page 19 was subjected to the auditing procedures applied in the audit of the financial statements of other independent auditors, whose report dated, September 13, 2012, indicated that such information is fairly stated in all material respects for the financial statements as a whole.

## ***Other Matter***

The financial statements of DEFHR as of and for the year ended December 31, 2011 were audited by other auditors whose report, dated September 13, 2012, expressed an unmodified opinion on those financial statements.

As part of our audit of the 2012 financial statements, we also audited adjustments described in Note 11 that were applied to restate the 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 financial statements of DEFHR other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance of the 2011 financial statements as a whole.

*Halt, Byzas & Powell, Ltd.*

Alexandria, Virginia  
May 10, 2013

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 520,243	\$ 469,706
Contributions receivable	160,556	191,003
Investments	115,879	28,972
Beneficial interest in trust	118,100	108,951
Property and equipment, net	<u>180,008</u>	<u>153,732</u>
 Total assets	 <u>\$ 1,094,786</u>	 <u>\$ 952,364</u>
 <b>LIABILITIES AND NET ASSETS</b>		
 Accounts payable and accrued expenses	 \$ 48,892	 \$ 38,670
 Net assets:		
Unrestricted, undesignated	681,408	558,357
Unrestricted, board designated	40,000	40,000
Temporarily restricted	206,386	206,386
Permanently restricted	<u>118,100</u>	<u>108,951</u>
Total net assets	<u>1,045,894</u>	<u>913,694</u>
 Total liabilities and net assets	 <u>\$ 1,094,786</u>	 <u>\$ 952,364</u>

See accompanying notes to financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues:</b>				
Contributions and grants	\$ 933,994	\$ -	\$ -	\$ 933,994
Combined federal campaign contributions	160,119	-	-	160,119
Special events, net of direct donor benefits of \$34,109	47,346	-	-	47,346
Program service fee revenue	122,233	-	-	122,233
In-kind contributions	117,225	-	-	117,225
Investment income (loss)	10,515	-	-	10,515
Unrealized gain - beneficial interest in trust	-	-	9,149	9,149
Other	26,459	-	-	26,459
Retail sales, net of merchandise cost of \$13,775	<u>24,909</u>	<u>-</u>	<u>-</u>	<u>24,909</u>
Total revenues	<u>1,442,800</u>	<u>-</u>	<u>9,149</u>	<u>1,451,949</u>
<b>Expenses:</b>				
Program services	<u>1,095,393</u>	<u>-</u>	<u>-</u>	<u>1,095,393</u>
Support services:				
Management and general	131,974	-	-	131,974
Fundraising	<u>92,382</u>	<u>-</u>	<u>-</u>	<u>92,382</u>
Total support services	<u>224,356</u>	<u>-</u>	<u>-</u>	<u>224,356</u>
Total expenses	<u>1,319,749</u>	<u>-</u>	<u>-</u>	<u>1,319,749</u>
<b>Change in net assets</b>	123,051	-	9,149	132,200
<b>Net assets, beginning of year</b>	<u>598,357</u>	<u>206,386</u>	<u>108,951</u>	<u>913,694</u>
<b>Net assets, end of year</b>	<u>\$ 721,408</u>	<u>\$ 206,386</u>	<u>\$ 118,100</u>	<u>\$ 1,045,894</u>

See accompanying notes to financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues:</b>				
Contributions and grants	\$ 824,495	\$ 65,920	\$ -	\$ 890,415
Combined federal campaign contributions	163,948	-	-	163,948
Special events, net of direct donor benefits of \$59,449	35,041	-	-	35,041
Program service fee revenue	105,905	-	-	105,905
In-kind contributions	99,727	-	-	99,727
Investment income (loss)	(3,434)	-	-	(3,434)
Unrealized loss - beneficial interest in trust	-	-	(5,539)	(5,539)
Other	7,483	-	-	7,483
Retail sales, net of merchandise cost of \$15,583	<u>14,411</u>	<u>-</u>	<u>-</u>	<u>14,411</u>
Total revenues	<u>1,247,576</u>	<u>65,920</u>	<u>(5,539)</u>	<u>1,307,957</u>
<b>Expenses:</b>				
Program services	<u>1,126,126</u>	<u>-</u>	<u>-</u>	<u>1,126,126</u>
Support services:				
Management and general	168,293	-	-	168,293
Fundraising	<u>47,642</u>	<u>-</u>	<u>-</u>	<u>47,642</u>
Total support services	<u>215,935</u>	<u>-</u>	<u>-</u>	<u>215,935</u>
Total expenses	<u>1,342,061</u>	<u>-</u>	<u>-</u>	<u>1,342,061</u>
<b>Change in net assets</b>	(94,485)	65,920	(5,539)	(34,104)
<b>Net assets, beginning of year, as restated</b>	<u>692,842</u>	<u>140,466</u>	<u>114,490</u>	<u>947,798</u>
<b>Net assets, end of year</b>	<u>\$ 598,357</u>	<u>\$ 206,386</u>	<u>\$ 108,951</u>	<u>\$ 913,694</u>

See accompanying notes to financial statements.

**DAYS END FARM HORSE RESCUE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>132,200</u>	\$ <u>(34,104)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,775	31,432
Unrealized (gain) loss - beneficial interest in trust	(9,149)	5,539
Unrealized (gain) loss on investments	(8,357)	4,630
Donated stock	(77,514)	(10,958)
Donated property and equipment	(12,000)	-
Decrease (increase) in assets:		
Contributions receivable	30,447	41,722
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>10,225</u>	<u>(29,701)</u>
Total adjustments	<u>(34,573)</u>	<u>42,664</u>
Net cash provided by operating activities	<u>97,627</u>	<u>8,560</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(46,053)	(21,929)
Purchases of investments	<u>(1,037)</u>	<u>-</u>
Net cash used in investing activities	<u>(47,090)</u>	<u>(21,929)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	50,537	(13,369)
<b>Cash and cash equivalents, beginning of year</b>	<u>469,706</u>	<u>483,075</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 520,243</u>	<u>\$ 469,706</u>

See accompanying notes to financial statements.



# DAYS END FARM HORSE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

### 1. Organization

Days End Farm Horse Rescue, Inc. (DEFHR) is a non-profit, volunteer based, animal welfare organization established in 1989 to ensure quality care and treatment for horses through rehabilitation, humane education and community outreach. DEFHR 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, DEFHR 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. DEFHR 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. DEFHR 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. DEFHR 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.

### 2. Summary of significant accounting policies

#### Basis of presentation

DEFHR has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, DEFHR is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* represents the expendable resources that are available for operations at management's discretion.

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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

Basis of accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Use of estimates

The preparation of financial statements in conformity with *U.S. Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and cash equivalents

DEFHR considers money market funds to be cash and cash equivalents. Excluded from this definition of cash equivalents are money market funds that are held in trust and classified as beneficial interest in trust and reported as such in the accompanying statements of financial position.

Contributions receivable

Contributions consist primarily of combined federal campaign contributions and are stated at their net realizable value, as the majority of such contributions are expected to be collected within one year. At December 31, 2012 and 2011, management believes all receivables are fully collectible. Therefore, no allowance for doubtful accounts have been recognized at December 31, 2012 and 2011.

## DAYS END FARM HORSE RESCUE, INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

#### Investments

Investments are carried at fair value based on quoted prices in active markets and reported as such in the accompanying statements of financial position. Donated securities are recorded at their fair value at the time of donation. The gains and losses on investments 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.

#### Property and equipment

Property and equipment are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Life of lease
New farm acquisitions	10 - 25 years
Farm equipment	3 - 15 years
Vehicles	5 years
Office equipment	5 years

Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

#### Fair value measurements

DEFHR follows *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, for financial assets and liabilities that require additional disclosures about fair value measurements. The standard applies to all assets and liabilities that are being measured and reported on a fair value basis. The standard requires disclosure that establishes a framework for measuring fair value under *U.S. Generally Accepted Accounting Principles* and expands disclosure about fair value measurements. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical securities or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, DEFHR 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 3 inputs for any assets held by DEFHR at December 31, 2012 and 2011.

Income taxes

DEFHR is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. DEFHR is subject to tax on net income from unrelated business activities. For the years ended December 31, 2012 and 2011, DEFHR did not have any income taxes from unrelated business activities.

DEFHR follows the authoritative guidance relating to accounting for uncertainty in income taxes included in *Accounting Standards Codification (ASC) Topic Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. DEFHR performed an evaluation of uncertain tax positions for the years ended December 31, 2012 and 2011, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is DEFHR's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012 and 2011, DEFHR had no accruals for interest and/or penalties.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Revenue recognition

*Contributions, grants and combined federal campaign contributions*

Contributions are recognized as revenue when received or promised. DEFHR 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 one of DEFHR'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. Contributions that are restricted by the donor are reported as unrestricted if the restriction expires in the reporting period in which the contribution is recognized.

*Program service fees*

Program revenue consists of fees generated from DEFHR's Foster Care, Equidopt, Legacy and adoption programs. Fees are recognized as revenue in the period in which services are provided.

*In-kind contributions*

Donated materials, services and use of facilities are recorded at fair value when unconditional commitment is received from the donor. In-kind contributions are recorded 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. Many individuals volunteer their time and perform a variety of task that assists DEFHR. The value of these contributed services are not recorded as in-kind contributions.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Functional allocation of expenses

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

Reclassification

Certain 2011 reclassifications have been made to conform with the 2012 presentation.

**3. Investments and fair value measurement**

Investments are comprised of the following at December 31:

	<u>2012</u>	<u>2011</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Common stock	\$ 74,856	\$ 28,972
Fixed income mutual funds	<u>41,023</u>	<u>-</u>
Total investments	<u>\$ 115,879</u>	<u>\$ 28,972</u>

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

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 2,158	\$ 1,196
Unrealized gain (loss) on investments	<u>8,357</u>	<u>(4,630)</u>
Total investment income (loss)	<u>\$ 10,515</u>	<u>\$ (3,434)</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

The table below summarizes the level of inputs used to determine fair value of each major type of investment at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 74,856	\$ -	\$ -	\$ 74,856
Fixed income mutual funds	<u>41,023</u>	<u>-</u>	<u>-</u>	<u>41,023</u>
Total investments	<u>\$ 115,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,879</u>

The table below summarizes the level of inputs used to determine fair value of each major type of investment at December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ <u>28,972</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,972</u>
Total investments	<u>\$ 28,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,972</u>

**4. Beneficial interest in trust**

DEFHR has a beneficial interest in a perpetual trust along with two other organizations that distributes one-third of 5% of its fair value to DEFHR on an annual basis. The trust invests in publicly traded investments with readily determinable fair values based on quoted prices in active markets. DEFHR 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>2012</u>	<u>2011</u>
Money market funds	\$ 5,279	\$ 6,598
Bond mutual funds	19,777	16,416
Equity mutual funds	<u>93,044</u>	<u>85,937</u>
Total beneficial interest in trust	<u>\$ 118,100</u>	<u>\$ 108,951</u>

Fair value is measured using level 1 inputs at December 31, 2012 and 2011 determined by reference to quoted market prices and other relevant information generated by market transactions.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

**5. Property and equipment, net**

The following is a summary of property and equipment held at December 31:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 206,360	\$ 158,321
New farm acquisitions	27,679	23,142
Farm equipment	71,194	67,234
Vehicles	76,237	76,237
Office equipment	<u>7,145</u>	<u>5,629</u>
Property and equipment	388,615	330,563
Accumulated depreciation and amortization	<u>(208,607)</u>	<u>(176,831)</u>
Property and equipment, net	<u>\$ 180,008</u>	<u>\$ 153,732</u>

Depreciation and amortization of property and equipment for the years ended December 31, 2012 and 2011 was \$31,775 and \$31,432, respectively.

**6. Temporarily restricted net assets**

At December 31, 2012 and 2011, temporarily restricted net assets were available for the following programs:

	<u>2012</u>	<u>2011</u>
New farm	\$ 128,966	\$ 128,966
New arena - critical care	67,420	67,420
Electric sling brace	<u>10,000</u>	<u>10,000</u>
Total temporarily restricted net assets	<u>\$ 206,386</u>	<u>\$ 206,386</u>



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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**7. Retirement plan**

On January 1, 2012, DEFHR established a Simple IRA plan for employees receiving at least \$5,000 in compensation. The plan was made retroactive to January 1, 2011. DEFHR matches employees' contributions up to 3% of the employee's salary. Retirement plan expense was \$5,463 for the year ended December 31, 2012.

**8. Donated goods and services**

DEFHR received in-kind contributions primarily in the form of donated supplies and equipment. The value of contributed supplies was \$111,477 and \$90,504, of which \$12,000 and \$0 have been capitalized as property and equipment for the years ended December 31, 2012 and 2011, respectively. DEFHR also received donated veterinary services valued at \$5,748 and \$9,223 for the years ended December 31, 2012 and 2011, 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 \$689,400 and \$620,652 for the years ended December 31, 2012 and 2011, respectively.

**9. Commitments**

Operating leases

DEFHR leases farm land under a 5-year lease ending January 2015 with monthly payments of \$6,000 increasing by 1.5% every February. DEFHR has an option to extend the lease for three years. In addition, DEFHR has the option to purchase the property at its appraised value, as defined, within 30 days of receipt of the appraisal from the landlord in 2014. Rent expense was \$76,324 and \$75,289 for the years ended December 31, 2012 and 2011, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

DEFHR entered into an informal month to month lease for use of other farm land to assist with the overflow of a large impound of horses during the year. The monthly rent is \$1,600. Rent expense was \$19,200 and \$13,600 for the years ended December 31, 2012 and 2011, respectively.

Aggregate future minimum lease payments are as follows for the years ending December 31:

2013	\$	77,564
2014		78,732
2015		<u>79,908</u>
Total	\$	<u>236,204</u>

**10. Prior period adjustments**

DEFHR has restated its December 31, 2011 statements of financial position and activities to correct amounts that related to the capitalization of property and equipment and related depreciation expense. As a result, net property and equipment, unrestricted net assets and the change in net assets increased by \$1,875 at and for the year ended December 31, 2011.

In addition, DEFHR determined that contributions receivable and temporarily restricted net assets required certain adjustments to correct their respective balances at December 31, 2010 as follows:

	<u>Unrestricted</u>	<u>Temporary restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at December 31, 2010, as previously reported	\$ 781,118	\$ 115,466	\$ 114,490	\$ 1,011,074
Prior period adjustment: Contributions receivable	<u>(88,276)</u>	<u>25,000</u>	<u>-</u>	<u>(63,276)</u>
Net assets at December 31, 2010, as restated	<u>\$ 692,842</u>	<u>\$ 140,466</u>	<u>\$ 114,490</u>	<u>\$ 947,798</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**11. Subsequent events**

In preparing the financial statements, DEFHR has evaluated events and transactions for potential recognition or disclosure through May 10, 2013, 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.

Effective January 1, 2013, non-interest bearing transaction accounts such as checking or savings accounts are no longer fully insured by the Federal Deposit Insurance Corporation (FDIC). Accordingly, non-interest bearing transaction accounts fall under the standard deposit insurance amount of \$250,000 per depositor, per insured financial institution, for each account ownership category. Previously, all non-interest bearing accounts were fully insured under a temporary federal program in effect from December 31, 2010 through December 31, 2012.

**SUPPLEMENTAL INFORMATION**

**DAYS END FARM HORSE RESCUE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Salaries and payroll expenses	\$ 543,405	\$ 65,470	\$ 45,831	\$ 111,301	\$ 654,706
Professional fees	66,460	8,007	5,605	13,612	80,072
Contributed services	4,771	575	402	977	5,748
Supplies	122,024	14,702	10,291	24,993	147,017
Contributed material	82,569	9,946	6,962	16,908	99,477
Occupancy	142,963	17,224	12,057	29,281	172,244
Printing and postage	26,051	3,139	2,197	5,336	31,387
Advertising	8,112	977	684	1,661	9,773
Equipment rental and maintenance	28,621	3,448	2,414	5,862	34,483
Other	44,044	5,308	3,715	9,023	53,067
Depreciation and amortization	<u>26,373</u>	<u>3,178</u>	<u>2,224</u>	<u>5,402</u>	<u>31,775</u>
 Total expenses	 <u>\$ 1,095,393</u>	 <u>\$ 131,974</u>	 <u>\$ 92,382</u>	 <u>\$ 224,356</u>	 <u>\$ 1,319,749</u>

**DAYS END FARM HORSE RESCUE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Salaries and payroll expenses	\$ 515,198	\$ 91,466	\$ 23,702	\$ 115,168	\$ 630,366
Professional fees	77,051	13,402	363	13,765	90,816
Contributed services	9,223	-	-	-	9,223
Supplies	195,381	1,987	21,007	22,994	218,375
Contributed material	90,504	-	-	-	90,504
Occupancy	144,897	15,020	1,257	16,277	161,174
Printing and postage	13,461	14,592	-	14,592	28,053
Advertising	-	12,571	-	12,571	12,571
Equipment rental and maintenance	23,349	2,498	647	3,145	26,494
Other	32,078	10,309	666	10,975	43,053
Depreciation and amortization	<u>24,984</u>	<u>6,448</u>	<u>-</u>	<u>6,448</u>	<u>31,432</u>
 Total expenses	 <u>\$ 1,126,126</u>	 <u>\$ 168,293</u>	 <u>\$ 47,642</u>	 <u>\$ 215,935</u>	 <u>\$ 1,342,061</u>