

DAYS END FARM HORSE RESCUE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014 AND 2013



**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 December 31, 2014 and 2013, 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, 2014 and 2013, 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 18 - 19) 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
June 10, 2015

DAYS END FARM HORSE RESCUE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 635,761	\$ 635,829
Investments	28,583	82,123
Contributions receivable	224,734	187,438
Beneficial interest in trust	135,720	135,062
Prepaid expenses	12,846	2,797
Property and equipment, net	1,240,889	146,422
Deferred fees, net	8,355	-
 Total assets	 \$ 2,286,888	 \$ 1,189,671
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 48,534	\$ 69,392
Note payable	877,400	-
 Total liabilities	 925,934	 69,392
 Net assets:		
Unrestricted	1,123,870	726,024
Unrestricted, board designated	-	40,000
 Total unrestricted net assets	 1,123,870	 766,024
Temporarily restricted	101,365	219,193
Permanently restricted	135,719	135,062
 Total net assets	 1,360,954	 1,120,279
 Total liabilities and net assets	 \$ 2,286,888	 \$ 1,189,671

See accompanying notes to financial statements.

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

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>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	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 financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions and grants	\$ 921,202	\$ 19,500	\$ -	\$ 940,702
In-kind contributions	261,961	-	-	261,961
Combined federal campaign contributions	191,242	-	-	191,242
Special events, net of direct donor benefits of \$62,466	85,172	-	-	85,172
Program service fees	58,497	-	-	58,497
Retail sales, net of merchandise cost of \$13,637	21,792	-	-	21,792
Unrealized gain, beneficial interest in trust	-	-	16,962	16,962
Investment income	10,023	-	-	10,023
Other	7,396	-	-	7,396
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>6,693</u>	<u>(6,693)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,563,978</u>	<u>12,807</u>	<u>16,962</u>	<u>1,593,747</u>
Expenses:				
Program services	<u>1,305,916</u>	<u>-</u>	<u>-</u>	<u>1,305,916</u>
Support services:				
Management and general	153,575	-	-	153,575
Fundraising	<u>59,871</u>	<u>-</u>	<u>-</u>	<u>59,871</u>
Total support services	<u>213,446</u>	<u>-</u>	<u>-</u>	<u>213,446</u>
Total expenses	<u>1,519,362</u>	<u>-</u>	<u>-</u>	<u>1,519,362</u>
Change in net assets	44,616	12,807	16,962	74,385
Net assets, beginning of year	<u>721,408</u>	<u>206,386</u>	<u>118,100</u>	<u>1,045,894</u>
Net assets, end of year	<u>\$ 766,024</u>	<u>\$ 219,193</u>	<u>\$ 135,062</u>	<u>\$ 1,120,279</u>

See accompanying notes to financial statements.

DAYS END FARM HORSE RESCUE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ <u>240,675</u>	\$ <u>74,385</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,296	68,530
Unrealized gain, beneficial interest in trust	(657)	(16,962)
Unrealized loss on investments	23,744	30,718
Realized gains on sale of investments	(28,512)	(37,467)
Donated stock	(38,388)	(12,787)
Donated property and equipment	(13,250)	(17,039)
Decrease (increase) in assets:		
Contributions receivable	(37,296)	(26,882)
Prepaid expenses	(10,049)	(2,797)
Deferred fees, net	(8,456)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>(20,858)</u>	<u>20,500</u>
Total adjustments	<u>(77,426)</u>	<u>5,814</u>
Net cash provided by operating activities	<u>163,249</u>	<u>80,199</u>
Cash flows from investing activities:		
Purchases of property and equipment	(257,412)	(17,905)
Purchases of investments	(1,737)	(2,598)
Proceeds from sales of investments	<u>98,432</u>	<u>55,890</u>
Net cash (used in) provided by investing activities	<u>(160,717)</u>	<u>35,387</u>
Cash flows from financing activities:		
Principal payment on note payable	<u>(2,600)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,600)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(68)	115,586
Cash and cash equivalents, beginning of year	<u>635,829</u>	<u>520,243</u>
Cash and cash equivalents, end of year	\$ <u><u>635,761</u></u>	\$ <u><u>635,829</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ <u><u>6,111</u></u>	\$ <u><u>-</u></u>
Non-cash investing and financing transactions:		
Issuance of note payable for acquisition of farm property	\$ <u><u>880,000</u></u>	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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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DECEMBER 31, 2014 AND 2013

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

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.

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:

DAYS END FARM HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
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- 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, 2014 and 2013.

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, 2014 and 2013, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

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, 2014 and 2013, the Organization had no uncertain tax positions which should be recognized as a liability.

DAYS END FARM HORSE RESCUE, INC.
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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.

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, 2014 and 2013, management estimates that all receivables are fully collectible, therefore no allowance for doubtful contributions receivable had been recognized.

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.

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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
Leasehold improvements	Life of lease
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.

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.

DAYS END FARM HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
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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 2013 amounts have been reclassified to conform to the 2014 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, 2014, the Organization had bank deposits in excess of FDIC limits of \$232,079. There were no deposits in excess of FDIC limits at December 31, 2013.

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

	2014 <u>Fair Value</u>	2014 <u>Cost</u>	2013 <u>Fair Value</u>	2013 <u>Cost</u>
Common stock	\$ 18,185	\$ 11,241	\$ 43,131	\$ 16,967
Fixed income mutual funds	<u>10,398</u>	<u>5,170</u>	<u>38,992</u>	<u>17,753</u>
Total investments	<u>\$ 28,583</u>	<u>\$ 16,411</u>	<u>\$ 82,123</u>	<u>\$ 34,720</u>

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

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 3,055	\$ 3,274
Unrealized loss on investments	(23,744)	(30,718)
Realized gains on sale of investments	<u>28,512</u>	<u>37,467</u>
Total investment income	<u>\$ 7,823</u>	<u>\$ 10,023</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>2014</u>	<u>2013</u>
Money market funds	\$ 5,572	\$ 8,387
Bond mutual funds	23,087	19,817
Equity mutual funds	<u>107,061</u>	<u>106,858</u>
Total beneficial interest in trust	<u>\$ 135,720</u>	<u>\$ 135,062</u>

DAYS END FARM HORSE RESCUE, INC.
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Fair value is measured using Level 1 inputs at December 31, 2014 and 2013 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>2014</u>	<u>2013</u>
Land	\$ 688,050	\$ -
Buildings and improvements	497,374	-
Leasehold improvements	-	232,293
New farm acquisitions	29,502	29,500
Farm equipment	83,646	73,746
Vehicles	72,837	65,737
Office and computer equipment	<u>11,839</u>	<u>10,784</u>
Property and equipment	1,383,248	412,060
Accumulated depreciation and amortization	<u>(142,359)</u>	<u>(265,638)</u>
Total property and equipment, net	<u>\$ 1,240,889</u>	<u>\$ 146,422</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$56,195 and \$68,530, 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 and accumulated amortization expense at December 31, 2014 was \$101.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

8. Note payable

In November 2014, the Organization signed a promissory note for \$880,000 for the purchase of farm property. The property serves as collateral for the note. The note is for seven years, bears an interest rate of 5.24% and has monthly payments in the amount of \$5,930. A restrictive covenant on the note provides for a minimum cash flow to debt service coverage ratio of 1. The Organization was in compliance with the restriction for the year ended December 31, 2014.

Future maturities related to the note consist of the following at December 31:

2015	\$ 25,667
2016	27,175
2017	28,634
2018	30,171
2019 and thereafter	<u>765,753</u>
Total	<u>\$ 877,400</u>

9. Temporarily restricted net assets

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 for the following purposes:

	<u>2014</u>	<u>2013</u>
New farm	\$ 128,966	\$ -
Horse medical expenses	14,180	1,747
Horse training	4,000	-
Donor designated projects	2,944	-
Legacy	<u>1,554</u>	<u>4,946</u>
Total net assets released from restrictions	<u>\$ 151,644</u>	<u>\$ 6,693</u>

DAYS END FARM HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
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At December 31, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	2014	2013
New farm	\$ -	\$ 128,966
New arena - critical care	67,420	67,420
Electric sling brace	10,000	10,000
Donor designated projects	12,067	11,753
Truck fund	10,678	-
Time restricted	1,200	-
Horse medical expenses	-	1,000
Legacy	-	54
Total temporarily restricted net assets	\$ 101,365	\$ 219,193

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 \$6,731 and \$5,965 for the years ended December 31, 2014 and 2013, 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 \$242,043 and \$259,648, of which \$13,250 and \$17,039 have been capitalized as property and equipment for the years ended December 31, 2014 and 2013, respectively. The Organization also received donated veterinary services valued at \$8,714 and \$2,313 for the years ended December 31, 2014 and 2013, 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 \$606,528 and \$645,864 for the years ended December 31, 2014 and 2013, respectively.

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NOTES TO FINANCIAL STATEMENTS
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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. Rent expense was \$56,670 and \$77,469 for the years ended December 31, 2014 and 2013, respectively.

13. Related party transactions

The Organization entered into a month to month lease with the spouse of the Executive Director for use of other farm land to provide for additional shelter capacity. The agreement is based on annual analysis of current market rates. Rent expense was \$24,000 and \$23,600 for the years ended December 31, 2014 and 2013, respectively.

On September 15, 2013, the Organization entered into a severance agreement valued at \$39,000 with the former Executive Director which included transfer of title of a fully depreciated vehicle, moving expenses and severance payments. The terms of the agreement were fully met in 2014.

14. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2015, 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 DECEMBER 31, 2014

	<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	\$ 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	<u>2,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,378</u>
Total expenses	<u>\$ 1,289,741</u>	<u>\$ 156,086</u>	<u>\$ 54,498</u>	<u>\$ 210,584</u>	<u>\$ 1,500,325</u>

DAYS END FARM HORSE RESCUE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 531,188	\$ 86,238	\$ 40,880	\$ 127,118	\$ 658,306
Professional fees	87,223	19,962	23	19,985	107,208
Contributed services	2,313	-	-	-	2,313
Supplies	124,576	1,513	717	2,230	126,806
Contributed supplies	242,609	-	-	-	242,609
Occupancy	169,825	8,969	1,991	10,960	180,785
Printing and postage	13,439	-	13,439	13,439	26,878
Advertising	50	9,754	-	9,754	9,804
Equipment rental and maintenance	25,322	968	459	1,427	26,749
Other	1,490	125	12	137	1,627
Depreciation and amortization	54,473	14,057	-	14,057	68,530
Bank and internet processing fees	-	9,028	-	9,028	9,028
Public awareness and education	32,555	-	-	-	32,555
Licenses	4,918	798	378	1,176	6,094
Dues and subscriptions	5,694	924	438	1,362	7,056
Office expense	2,116	-	946	946	3,062
Training and employee relations	7,634	1,239	588	1,827	9,461
Farm expense	<u>491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491</u>
Total expenses	<u>\$ 1,305,916</u>	<u>\$ 153,575</u>	<u>\$ 59,871</u>	<u>\$ 213,446</u>	<u>\$ 1,519,362</u>