

# Financial Statements

Habitat for Horses, Inc.

December 31, 2019



**Katherine Overbeck Maxwell, CPA, PLLC**

2200 Market Street, Suite 703

Galveston, TX 77550

409-765-5287(voice) • 409-765-9644(fax)

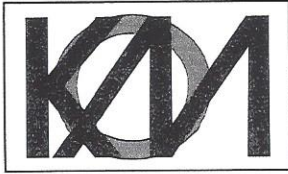
[www.overbeckmaxwellcpa.com](http://www.overbeckmaxwellcpa.com)

---

**Habitat for Horses, Inc.**

**Table of Contents**

<b>Independent Auditor's Report</b>	<b>1-2</b>
<b>Statement of Financial Position</b>	<b>3</b>
<b>Statement of Activities</b>	<b>4</b>
<b>Statement of Functional Expenses</b>	<b>5</b>
<b>Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7-13</b>



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

---

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Habitat for Horses, Inc.

We have audited the accompanying financial statements of Habitat for Horses, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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.

### **Auditor's 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 auditor's 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 Habitat for Horses, Inc. as of December 31, 2019, 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.

### **Prior Year Adjustment**

The prior year net assets ending balance was overstated by \$19,358. An adjustment was made to correct the current year beginning from \$2,382,813 to \$2,363,455 as described in Note 10 of the financial statements.

### **Report on Summarized Comparative Information**

We have previously audited Habitat for Horses, Inc.'s 2018 financial statements, and in our report dated June 24, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.



Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

July 2, 2020

**Habitat for Horses, Inc.**  
**Statement of Financial Position**  
**December 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 126,991	\$ 219,995
Accounts Receivable, net	30,139	1,744
Investment	538,249	503,348
Prepaid Expenses	8,044	8,179
Other Assets	<u>-</u>	<u>1,700</u>
<b>Total Current Assets</b>	<b>703,423</b>	<b>734,966</b>
<b>Property and Equipment, net of Accumulated Depreciation of \$535,159</b>	<b><u>2,521,821</u></b>	<b><u>2,791,316</u></b>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>3,225,244</u></u></b>	<b>\$ <u><u>3,526,282</u></u></b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 191,769	\$ 99,038
Credit Cards	55,191	88,704
Payroll Liabilities	6,390	72
Notes Payable		
Principal Amount	940,596	962,525
Less: Unamortized Loan Issurance Cost	<u>(4,470)</u>	<u>(6,870)</u>
Notes Payable, net	<u>936,126</u>	<u>955,655</u>
<b>Total Current Liabilities</b>	<b><u>1,189,476</u></b>	<b><u>1,143,469</u></b>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>1,189,476</u></b>	<b>\$ <u>1,143,469</u></b>
<b>NET ASSETS</b>		
Without Donor Restrictions	<u>2,035,768</u>	<u>2,382,813</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,035,768</u></b>	<b><u>2,382,813</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>3,225,244</u></u></b>	<b>\$ <u><u>3,526,282</u></u></b>

See accompanying notes to the financial statements

**Habitat for Horses, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES:</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Contributions	\$ 955,681	\$ 1,026,837
Contributions in Kind	1,300	51,696
Grants	22,000	11,975
Adoption Fees	14,135	7,350
Merchandise Sales, Net	(1,545)	3,591
Bingo Income	143,811	121,753
Gain (Loss) on Sals of Assets	5,335	45
Other Income	23,498	10,823
	<b>\$ 1,164,215</b>	<b>\$ 1,234,070</b>
<b>EXPENSES</b>		
Program	\$ 1,425,466	\$ 1,370,978
Management & General	105,375	97,972
Fundraising	53,795	58,126
	<b>\$ 1,584,636</b>	<b>\$ 1,527,076</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(420,421)</b>	<b>(293,007)</b>
<b>NON-OPERATING ACTIVITIES:</b>		
Investment Return, net	92,734	(39,936)
<b>TOTAL NONOPERATING ACTIVITIES</b>	<b>92,734</b>	<b>(39,936)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(327,687)</b>	<b>(332,942)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,382,813</b>	<b>2,715,755</b>
Prior year adjustment for overstatement of net assets without donor restrictions	(19,358)	-
Balance at the beginning of year, as restated	2,363,455	2,715,755
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,035,768</b>	<b>\$ 2,382,813</b>

See accompanying notes to the financial statements

**Habitat for Horses, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	2019			2018	
	Program Services	Management & General	Fundraising	Total	Total
<b>EXPENSES</b>					
Payroll Expense	\$ 291,949	\$ 34,347	\$ 17,173	\$ 343,469	\$ 383,819
Payroll Tax Expense	22,717	2,673	1,336	26,726	29,097
Employee Benefits	31,956	3,759	1,880	37,595	37,959
<b>Total Salaries &amp; Related Expenses</b>	<b>346,622</b>	<b>40,779</b>	<b>20,389</b>	<b>407,790</b>	<b>450,875</b>
Advertising	-	-	692	692	31
Bank Charges	14,006	-	-	14,006	20,664
Computer and Software	4,016	-	-	4,016	5,377
Educational Expenses	299,542	-	-	299,542	285,022
Grant and Contract	-	-	-	-	200
Horse Expenses	421,547	-	-	421,547	293,869
Insurance	41,224	-	-	41,224	22,261
Interest	51,465	22,056	-	73,521	75,340
License and Permits	-	-	6,293	6,293	685
Miscellaneous	-	15,595	-	15,595	1,898
Membership and Subscription	-	-	-	-	315
Office Expenses	5,347	8,020	-	13,367	3,621
Professional Fees	16,513	12,110	26,421	55,044	71,981
Ranch Expenses	40,925	-	-	40,925	108,861
Repairs and Maintenance	28,000	-	-	28,000	24,125
Postage	12,115	6,815	-	18,930	28,822
Telephone and Internet	3,183	-	-	3,183	3,784
Travel, Meals, Entertainment	783	-	-	783	2,645
Utilities	520	-	-	520	2,020
Veterinarian Expenses	33,863	-	-	33,863	46,194
Federal Income Taxes	25,360	-	-	25,360	10,012
Other Taxes	1,489	-	-	1,489	1,444
Bad Debt	-	-	-	-	-
Depreciation	72,645	-	-	72,645	67,030
Amortization	6,301	-	-	6,301	-
<b>TOTAL EXPENSES</b>	<b>\$ 1,425,466</b>	<b>\$ 105,375</b>	<b>\$ 53,795</b>	<b>\$ 1,584,636</b>	<b>\$ 1,527,076</b>

See accompanying notes to the financial statements

**Habitat for Horses, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Net Assets	\$ (327,687)	\$ (332,942)
<b>Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation and Amortization	78,946	76,190
Net of Realized and Unrealized (Gains) Losses on Investments	(78,666)	69,142
Realized (Gains) Losses on Sale of Fixed Assets	(5,335)	(45)
(Increase) Decrease in Accounts Receivable	(28,395)	300
(Increase) Decrease in Prepaid Expenses	135	(8,179)
(Increase) Decrease in Other Assets	1,700	(685)
(Increase) Decrease in Loan Cost	(3,902)	(16,029)
Increase (Decrease) in Accounts Payable	92,731	46,080
Increase (Decrease) in Credit Cards	(52,871)	40,664
Increase (Decrease) in Payroll Taxes Liabilities	6,318	(3,455)
Increase (Decrease) in Income Tax Payable	-	(10,332)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>(317,026)</u></b>	<b><u>(139,291)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	304,880	123,894
Purchase of Investments	(261,115)	(146,261)
Proceeds from Sale Property and Equipment	268,449	-
Purchase of Property and Equipment	(66,263)	(2,071,447)
Retirement of Equipment	-	2,500
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b><u>245,951</u></b>	<b><u>(2,091,314)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Note Payable	-	1,000,000
Payment of Note Payable	(21,929)	(37,475)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b><u>(21,929)</u></b>	<b><u>962,525</u></b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b><u>(93,004)</u></b>	<b><u>(1,268,080)</u></b>
<b>CASH AND CASH EQUIVALENT, BEGINNING OF YEAR</b>	<b><u>219,995</u></b>	<b><u>1,488,075</u></b>
<b>CASH AND CASH EQUIVALENT, END OF YEAR</b>	<b><u>\$ 126,991</u></b>	<b><u>\$ 219,995</u></b>
<b>Supplemental Cash Flow Information:</b>		
Cash Paid for Interest	\$ 73,521	\$ 75,340
Cash Paid for Income Taxes	\$ 25,360	\$ 10,012

See accompanying notes to the financial statements



**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 1 – DESCRIPTION OF THE ORGANIZATION**

Habitat for Horses, Inc. (the Organization) is a not-for-profit organization incorporated in the State of Texas in 1998 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

The purpose of the Organization is a) To promote and secure the safety, well-being, and health of horses. b) To encourage education concerning the physical and mental health of horses. c) To utilize horses in the growth and mental health of humans, either adult or children, through education, demonstration and connection. d) To study, promote, and enhance the proper training of horses through positive training techniques. e) To provide a home for those horses who are no longer able to be productive. f) To return to health, if possible, those owned horses that are deemed sick or injured.

The Organization is supported primarily through private and corporate contributions, membership fees, and revenue from adoptions.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classification:

**Net Assets without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing in the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. At December 31, 2019 and 2018, the Organization had net assets without donor restrictions of \$2,035,768 and \$2,382,813, respectively.

**Net Assets with Donor Restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. There are no net assets with donor restrictions at December 31, 2019 and 2018, respectively.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing horse services and interests and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. Cash is held in both interest bearing and non-interest-bearing demand accounts. The cash balance at December 31, 2019 and 2018 was \$126,991 and \$219,995, respectively.

**Concentrations of Credit Risk**

The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The cash balances are insured by the FDIC for up to \$250,000 per account. The Organization has not experienced, nor does it anticipate, any loss with respect to such accounts. As of December 31, 2019, and 2018, there was no uninsured cash balance.

**Accounts Receivable**

Accounts receivable is stated at unpaid restitution balances. An allowance for doubtful accounts in the amount of \$3,074 was recorded in fiscal year December 31, 2019 for certain accounts considered uncollectible.

**Pledges Receivable**

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. The Organization does not have any pledges receivable as of December 31, 2019 and 2018, respectively.

**Property and Equipment**

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives range from five to twenty-five years. The Organization's policy is to capitalize all purchases and non-cash donations for greater than \$5,000 and expense normal repairs and maintenance as incurred. Gains and losses on retired or sold property and equipment are reflected in the change in net assets for the period.

**Investment**

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. Purchase and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Organization owns a twenty percent (20%) stake in King Bingo Trust which does not have a readily determinable fair value. Therefore, the value of the investment is calculated based on income reports issued by the trust and distributions received by the trust during the year.

**Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- |         |   |
|---------|---|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.   |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none"><li>• Quoted prices for similar assets/liabilities in active markets;</li><li>• Quoted prices for identical or similar assets in non-active markets;</li><li>• Inputs other than quoted prices that are observable for the asset/liability; and,</li><li>• Inputs that are derived principally from or corroborated by other observable market data.</li></ul> |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data.  |

For the year ended December 31, 2019 and 2018, all investments are grouped as Level 1 with the exception of investment in King Bingo Trust which is grouped as Level 3.

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Donations**

The Organization received donated ranch supplies of \$1,300 for the year ended December 31, 2019 and donated medical supplies of \$39,084 and ranch supplies of \$12,612 in 2018. Such amounts are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses.

A substantial number of volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

**Functional Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expense that are allocated include salaries and benefits, professional fees, office, and postage, which are allocated on the basis of estimates of time and effort, as well as interest, which is allocated on a square-footage basis.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Income Tax Status**

The Organization is exempt from income tax under IRS section 501(c)(3) and is classified as a public charity under IRS section 509(a)(1) and section 170(b)(1)(A)(vi). However, it is subject to tax on income unrelated to its exempt purpose as Unrelated Business Income (UBI), unless that income is otherwise excluded by the Code. Due to the UBI, income tax expense of \$25,360 incurred as of December 31, 2019.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 3 – AVAILABILITY OF FINANCIAL ASSETS**

The Organization's goal is generally to maintain financial assets to meet its operating expenses needs. The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2019
Financial assets at year end:	
Cash and Cash Equivalents	\$ 126,991
Accounts Receivable	30,139
Investments	538,249
Total Financial Assets	\$ 695,379

The Organization's liquidity management strategy involves maintaining enough financial assets to cover general expenditures, liabilities, and other obligations.

**NOTE 4 - INVESTMENTS**

The following is a summary of investments at December 31, 2019 and 2018:

	2019		2018	
	Cost	Market	Cost	Market
UBS Investments:				
Cash	\$ 9,264	\$ 9,264	\$ 23,110	\$ 23,110
Equities	292,395	337,371	324,290	304,580
Fixed Income	119,613	123,731	114,957	107,775
Subtotal	421,272	470,366	462,356	435,465
Other Investments:				
Kings Bingo Trust	67,883	67,883	67,883	67,883
Total	\$ 489,154	\$ 538,249	\$ 530,239	\$ 503,348

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

The following schedule summarizes the investment return in the Statement of Activities for the year ended December 31, 2019 and 2018:

	2019	2018
Dividends	\$ 18,715	\$ 12,743
Interest	197	565
Net realized gains (losses)	1,428	185
Net unrealized gains (losses)	77,238	(48,657)
Investment management fees	(4,844)	(4,771)
Total investment return, net	\$ 92,734	\$ (39,936)

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 5 – OTHER INVESTMENTS**

The Organization initially invested \$50,000 for a twenty percent (20%) ownership stake of Kings Bingo Trust which operates a bingo hall in Webster, Texas. Proceeds from operations go to benefit five local charities including the Organization. As of December 31, 2019 and 2018, the Organization received income distribution of \$143,811 and \$121,753, respectively. The investment in Kings Bingo Trust is valued at \$67,883.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2019 and 2018 are as follows:

Description	Dec 31, 2018	Additions	Retirements	Dec 31, 2019
Land	\$ 2,344,360	-	(234,360)	\$ 2,110,000
Hay Equipment	287,897	-	-	287,897
Computer Equipment	3,405	-	-	3,405
Ranch Equipment	170,333	11,666	-	181,999
Buildings and Improvements	357,338	48,367	(33,695)	372,010
Medical Equipment	32,545	-	-	32,545
Vehicles	39,084	-	(7,500)	31,584
Machinery	31,310	6,230	-	37,540
Total Property & Equipment	<u>3,266,272</u>	<u>66,263</u>	<u>(275,555)</u>	<u>3,056,980</u>
Less Accumulated Depreciation	<u>(474,956)</u>	<u>(72,645)</u>	<u>12,442</u>	<u>(535,159)</u>
<b>Property &amp; Equipment, Net</b>	<b><u>\$ 2,791,316</u></b>	<b><u>\$ (6,382)</u></b>	<b><u>\$ (263,113)</u></b>	<b><u>\$ 2,521,821</u></b>

For the year ended December 31, 2019 and 2018, depreciation expense was \$72,645 and \$67,030, respectively.

**NOTE 7 – NOTES PAYABLE**

The Organization has an obligation under notes payable to a financial institution. The original note is dated January 23, 2018 and has a face amount of \$1,000,000 with a 7.1375% interest rate. It is secured by ranch property. The promissory note was amended and restated on December 20, 2019 and the amended date of maturity is December 1, 2022. The loan is a variable interest-rate loan with the interest computed on a 30-day month divided by a 360-day year. The Principal balance as of December 31, 2019 and 2018 was \$940,596 and \$962,525, respectively.

**NOTE 8 – RETIREMENT CONTRIBUTIONS**

Employees of the Organization can participate in the Habitat for Horses, Inc. 401K Plan. Employees are eligible to participate after reaching the age of twenty-one and completing one year of service. Matching contributions made by the Organization are at its discretion. Contributions to the Plan by the Organization totaled \$9,611 and \$25,817 as of December 31, 2019 and 2018, respectively.

**Habitat for Horses, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019**

**NOTE 9 – COMPARATIVE FINANCIAL INFORMATION**

These financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**NOTE 10 – PRIOR YEAR ADJUSTMENT**

The 2018 credit cards payable balance was understated by \$19,358 and as a result the net assets ending balance was overstated by same amount. An adjustment of \$19,358 was made to correct the 2019 net assets beginning balance from \$2,382,813 to \$2,363,455.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 2, 2020, which is the date the financial statements were available to be issued.