

LITTLE BIT THERAPEUTIC RIDING CENTER

Financial Statements

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

**To the Board of Trustees
Little Bit Therapeutic Riding Center
Redmond, Washington**

We have audited the accompanying financial statements of Little Bit Therapeutic Riding Center (Little Bit) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Bit as of December 31, 2019 and 2018, 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.

Clark Nuber P.S.

Certified Public Accountants
May 2, 2020

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Financial Position
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,375,829 | \$ 1,299,982 |
| Grants and pledges receivable (Note 3) | 69,463 | 114,399 |
| Prepaid expenses and other current assets | <u>35,253</u> | <u>23,392</u> |
| Total Current Assets | 1,480,545 | 1,437,773 |
| Grants and pledges receivable, net of current portion (Note 3) | | 28,846 |
| Investments held for long-term purposes (Note 4) | 816,222 | 697,451 |
| Property and equipment, net (Note 5) | <u>8,410,532</u> | <u>8,670,923</u> |
| Total Assets | <u>\$ 10,707,299</u> | <u>\$ 10,834,993</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 144,894 | \$ 138,342 |
| Deferred revenue | 138,630 | 135,749 |
| Current portion of notes payable (Note 6) | <u>20,814</u> | <u>19,876</u> |
| Total Current Liabilities | 304,338 | 293,967 |
| Notes payable, net of current portion (Note 6) | <u>744,909</u> | <u>764,521</u> |
| Total Liabilities | 1,049,247 | 1,058,488 |
| Net Assets: | | |
| Without donor restriction | 8,445,606 | 8,502,864 |
| With donor restriction (Note 7) | <u>1,212,446</u> | <u>1,273,641</u> |
| Total Net Assets | <u>9,658,052</u> | <u>9,776,505</u> |
| Total Liabilities and Net Assets | <u>\$ 10,707,299</u> | <u>\$ 10,834,993</u> |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue and Support: | | | |
| Contributions | \$ 738,960 | \$ 328,723 | \$ 1,067,683 |
| Special events, net of expenses | 433,210 | | 433,210 |
| Program service fees | 861,350 | | 861,350 |
| Rental income | 26,400 | | 26,400 |
| Investment return | 2,619 | 136,974 | 139,593 |
| Other income | 29,980 | | 29,980 |
| Net assets released from restrictions | 526,892 | (526,892) | |
| Total Revenue and Support | 2,619,411 | (61,195) | 2,558,216 |
| Expenses: | | | |
| Program services | 2,087,884 | | 2,087,884 |
| Management and general | 280,043 | | 280,043 |
| Fundraising | 308,742 | | 308,742 |
| Total Expenses | 2,676,669 | | 2,676,669 |
| Change in Net Assets | (57,258) | (61,195) | (118,453) |
| Net assets, beginning of year | 8,502,864 | 1,273,641 | 9,776,505 |
| Net Assets, End of Year | \$ 8,445,606 | \$ 1,212,446 | \$ 9,658,052 |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue and Support: | | | |
| Contributions | \$ 877,879 | \$ 768,631 | \$ 1,646,510 |
| Special events, net of expenses | 370,337 | | 370,337 |
| Program service fees | 852,388 | | 852,388 |
| Rental income | 25,800 | | 25,800 |
| Investment return | 1,512 | (24,191) | (22,679) |
| Other income | 112,502 | | 112,502 |
| Net assets released from restrictions | 710,889 | (710,889) | |
| Total Revenue and Support | 2,951,307 | 33,551 | 2,984,858 |
| Expenses: | | | |
| Program services | 1,877,334 | | 1,877,334 |
| Management and general | 293,287 | | 293,287 |
| Fundraising | 345,255 | | 345,255 |
| Total Expenses | 2,515,876 | | 2,515,876 |
| Change in Net Assets | 435,431 | 33,551 | 468,982 |
| Net assets, beginning of year | 8,067,433 | 1,240,090 | 9,307,523 |
| Net Assets, End of Year | \$ 8,502,864 | \$ 1,273,641 | \$ 9,776,505 |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| Salaries and wages | \$ 981,263 | \$ 170,054 | \$ 220,366 | \$ 1,371,683 |
| Payroll taxes | 160,300 | 14,920 | 19,602 | 194,822 |
| Employee benefits | 125,933 | 14,860 | 10,433 | 151,226 |
| Total Payroll Costs | 1,267,496 | 199,834 | 250,401 | 1,717,731 |
| Depreciation and amortization | 282,525 | 3,445 | 11,733 | 297,703 |
| Barn operations | 164,244 | | | 164,244 |
| Contract services | 18,986 | 46,545 | 2,408 | 67,939 |
| Utilities | 63,557 | 1,533 | 5,328 | 70,418 |
| Office expenses | 42,373 | 14,271 | 20,076 | 76,720 |
| Special event expenses | 5,596 | | 90,171 | 95,767 |
| In-kind expenses | 47,884 | 933 | 4,390 | 53,207 |
| Repairs and maintenance | 43,681 | 784 | 2,488 | 46,953 |
| Bank and credit card fees | 59,858 | 3,107 | 5,780 | 68,745 |
| Insurance | 31,343 | 492 | 1,563 | 33,398 |
| Taxes | 14,941 | 809 | 793 | 16,543 |
| Truck and equipment | 12,147 | 619 | 1,481 | 14,247 |
| Seminars, clinics and camps | 11,593 | | | 11,593 |
| Travel and training | 12,406 | 1,547 | 473 | 14,426 |
| Recognition | 14,850 | 6,124 | 1,828 | 22,802 |
| Total Expenses | 2,093,480 | 280,043 | 398,913 | 2,772,436 |
| Less special events expenses | (5,596) | | (90,171) | (95,767) |
| Total Less Special Events Expenses | \$ 2,087,884 | \$ 280,043 | \$ 308,742 | \$ 2,676,669 |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| Salaries and wages | \$ 862,933 | \$ 171,154 | \$ 239,040 | \$ 1,273,127 |
| Payroll taxes | 142,804 | 15,457 | 20,391 | 178,652 |
| Employee benefits | 98,585 | 12,988 | 19,046 | 130,619 |
| Total Payroll Costs | 1,104,322 | 199,599 | 278,477 | 1,582,398 |
| Depreciation and amortization | 250,805 | 5,470 | 14,896 | 271,171 |
| Barn operations | 161,248 | | | 161,248 |
| Contract services | 25,222 | 45,119 | 3,825 | 74,166 |
| Utilities | 58,540 | 1,350 | 4,632 | 64,522 |
| Office expenses | 43,902 | 12,815 | 27,773 | 84,490 |
| Special event expenses | 3,079 | | 103,707 | 106,786 |
| In-kind expenses | 43,632 | 3,605 | 2,983 | 50,220 |
| Repairs and maintenance | 39,181 | 703 | 2,232 | 42,116 |
| Bank and credit card fees | 64,428 | 3,515 | 5,222 | 73,165 |
| Insurance | 28,838 | 455 | 1,446 | 30,739 |
| Taxes | 14,055 | 7,347 | 821 | 22,223 |
| Truck and equipment | 11,139 | 629 | 1,543 | 13,311 |
| Seminars, clinics and camps | 19,664 | | | 19,664 |
| Travel and training | 2,171 | 2,463 | 543 | 5,177 |
| Recognition | 10,187 | 10,217 | 862 | 21,266 |
| Total Expenses | 1,880,413 | 293,287 | 448,962 | 2,622,662 |
| Less special events expenses | (3,079) | | (103,707) | (106,786) |
| Total Less Special Events Expenses | \$ 1,877,334 | \$ 293,287 | \$ 345,255 | \$ 2,515,876 |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from donors for operations | \$ 1,670,442 | \$ 1,931,057 |
| Cash received from program fees and other | 943,615 | 980,357 |
| Cash payments to employees | (1,321,492) | (1,220,279) |
| Cash payments to vendors and others | (1,125,907) | (1,139,893) |
| Cash paid for interest | (32,206) | (39,958) |
| Net Cash Provided by Operating Activities | 134,452 | 511,284 |
| Cash Flows From Investing Activities: | | |
| Purchases of investments | (81,247) | (90,657) |
| Proceeds from sale of investments | 79,629 | 90,291 |
| Proceeds from sale of property and equipment | | 367,100 |
| Purchase of property and equipment | (37,312) | (375,045) |
| Net Cash Used by Investing Activities | (38,930) | (8,311) |
| Cash Flows From Financing Activities: | | |
| Receipt of contributions restricted for property and equipment | | 307,256 |
| Payments on notes payable | (19,675) | (370,685) |
| Net Cash Used by Financing Activities | (19,675) | (63,429) |
| Change in Cash and Cash Equivalents | 75,847 | 439,544 |
| Cash and cash equivalents, beginning of year | 1,299,982 | 860,438 |
| Cash and Cash Equivalents, End of Year | \$ 1,375,829 | \$ 1,299,982 |

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Nature of Operations

General - Little Bit Therapeutic Riding Center (the Organization or Little Bit) is a Washington nonprofit corporation located in an equine stable setting in rural Redmond, Washington. Little Bit was organized in 1976 for the purpose of providing equine-assisted therapies and activities to children and adults with physical, emotional and/or developmental disabilities. The objective of these activities is to provide the riders and patients with the opportunity to improve their physical health, provide a sense of accomplishment and control, and create a positive environment for learning and to emphasize their capabilities. Little Bit's programs help improve riders' overall health, and positively impact their lives far beyond Little Bit's doors. Equine- assisted therapy and adaptive riding are Little Bit's two main programs:

- **Therapy** - Utilizing equine movement is a recognized, intensive medical therapy during which a licensed physical, occupational, or speech-language therapist works with a patient, incorporating the movement of the horse, or the horse itself, as part of the treatment. The therapist uses the movement of the horse to address the patient's challenges, such as deficits in balance, strength, endurance, coordination, communication, and attention. This therapy does not teach riding skills; rather the goals are geared towards independence with activities of daily living and increased participation in family, school and community life. In 2019, Little Bit provided approximately 95 equine-assisted therapy sessions per week, year round.
- **Adaptive Riding** - Consists of a one-hour lesson with one to four other participants similar in cognitive age and ability that focuses on increasing individual riding skills while gaining therapeutic benefits. In 2019, 28 specially-trained horses provided recreational riding lessons for individuals with special needs to approximately 155 riders per week, year around. A part of our Adaptive Riding Program is Equine-Facilitated Psychotherapy (EFP). EFP consists of counseling centers bringing their patients to Little Bit along with their mental health professionals to work alongside our equine specialists and horses.

An average of 340 volunteers a week assist with therapy sessions, adaptive riding lessons, facilities maintenance, equine care, and administrative and fundraising activities to offset the cost of programs and activities. A total of 1,232 individuals donated 35,299 hours (unaudited) of their time to Little Bit in 2019. Many of these hours result in dollars matched by employers who reward their employees' involvement in the community. The time that volunteers donate allows Little Bit to put donations and revenues from other sources to the highest purpose possible: offsets to minimize the costs of programs and services to all of its participants.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of Little Bit have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Little Bit reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets with donor restriction include all net assets received by donations under which the donors imposed some restrictions on use. Such restrictions are time and/or purpose dependent and will expire when Little Bit makes use of the net assets for the restricted purpose or through the passage of time. Additionally, endowment restricted net assets must be maintained by Little Bit in perpetuity, the income of which is expendable in accordance with the donor's stated purpose. Endowment net assets increase when Little Bit receives contributions for which donor-imposed restrictions limiting Little Bit's use of an asset for its economic benefits neither expire with the passage of time nor can be removed by Little Bit meeting certain requirements.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 2 - Continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of purpose and time restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition - Little Bit provides equine-assisted therapy sessions and camps in exchange for tuition revenue. These sessions and camps are generally purchased by customers in advance upon registration. Tuition revenues are recognized when the performance obligation of providing the session or camp is met on the date of the event. Little Bit also earns revenues from the sales of tickets to its auction and provides the purchaser dinner and entrance to the event. Little Bit recognizes the revenue as the tickets are purchased and considers the cost of the dinner to be exchange revenue while the remaining cost of the ticket is recognized as a contribution.

Little Bit recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met.

In-Kind Contributions - In-kind contributions are recorded at their estimated fair values at the date of donation. Little Bit recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Little Bit. Those expenses include personnel, facilities, information technology, and the welcome center and administration building. Personnel cost is allocated based on an estimate of effort spent by each employee towards functional categories, facilities expense is allocated based on square footage, information technology is allocated based on number of computers in each functional area, and the welcome center and administration building costs are allocated based on employee time allocated.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less. Cash balances on deposit at banks may exceed federally insured limits at various times during the year.

Grants and Pledges Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts by making an adjustment to a valuation allowance based on its assessment of the current status of each receivable from grants and pledges. The allowance is an estimate based on past experience. It is Little Bit's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Investments - Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Securities are held in a custodial investment account administered by a financial institution.

Property and Equipment - Property and equipment are stated at cost if purchased or fair value if contributed. Depreciation is provided using the straight-line method over the estimated useful life of 39 years for buildings, 15 years for land improvements, 5 to 7 years for furniture and equipment, and 3 to 7 years for horses.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 2 - Continued

Debt Issuance Costs - Debt issuance costs are recorded as a deduction to the related debt liability on the statements of financial position. Debt issuance costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Income Tax Status - The Internal Revenue Service has determined that Little Bit is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP 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 during the reporting period. Actual results could differ from estimates.

Note 3 - Grants and Pledges Receivable

Grants and pledges receivable at December 31 were scheduled to be received as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|--------------------------|
| Less than one year | \$ 69,463 | \$ 114,399 |
| One to five years | | <u>30,000</u> |
| | 69,463 | 144,399 |
| Less present value discount of 4% | | <u>(1,154)</u> |
| Total Grants and Pledges Receivable, Net | <u>\$ 69,463</u> | <u>\$ 143,245</u> |

Grants and contributions receivable include certain concentrations with individual supporters. As of December 31, 2019 and 2018, 83% and 87%, respectively, of Little Bit's outstanding grants and contributions receivable are due from three donors.

Note 4 - Investments

Investments held for long-term purposes include endowment funds. Investments consisted of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|--------------------------|--------------------------|
| Money market funds | \$ 137,964 | \$ 86,130 |
| Equities- | | |
| U.S. | 458,559 | 352,705 |
| International | 41,798 | 36,260 |
| Fixed income mutual funds | <u>177,901</u> | <u>222,356</u> |
| Total Investments | <u>\$ 816,222</u> | <u>\$ 697,451</u> |

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 4 - Continued

Investment return consisted of the following for the years ended December 31:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|---------------------------|
| Interest and dividends | \$ 23,715 | \$ 21,659 |
| Realized and unrealized (losses) gains | 117,153 | (43,202) |
| Investment fees | <u>(1,275)</u> | <u>(1,136)</u> |
| Total Investment Return | <u>\$ 139,593</u> | <u>\$ (22,679)</u> |

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs. Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable. All of Little Bit's investments are classified as Level 1.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Money Market Funds - Valued at the closing price reported in the active markets in which the securities are traded at fiscal year end.

Equities - Valued at the closing price reported in the active market in which the securities are traded.

Fixed Income Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by Little Bit at year end.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Land | \$ 2,320,817 | \$ 2,320,817 |
| Land improvements | 724,192 | 724,192 |
| Buildings | 7,065,378 | 7,065,378 |
| Furniture and equipment | 482,544 | 451,232 |
| Horses | <u>79,700</u> | <u>74,000</u> |
| | 10,672,631 | 10,635,619 |
| Accumulated depreciation | <u>(2,262,099)</u> | <u>(1,964,696)</u> |
| Total Property and Equipment, Net | <u>\$ 8,410,532</u> | <u>\$ 8,670,923</u> |

Note 6 - Notes Payable

Long-term debt consisted of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Note payable to a bank, original amount of \$826,000, interest at 4.60%, monthly principal and interest payments of \$4,667 through June 1, 2027 when the loan matures. The loan is secured by a deed of trust on property. | \$ 768,225 | \$ 787,900 |
| Less unamortized debt issuance costs | <u>(2,502)</u> | <u>(3,503)</u> |
| | 765,723 | 784,397 |
| Less current portion | <u>(20,814)</u> | <u>(19,876)</u> |
| Total Long-Term Debt, Net of Current Portion | <u>\$ 744,909</u> | <u>\$ 764,521</u> |

LITTLE BIT THERAPEUTIC RIDING CENTER

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 6 - Continued

Future maturities of long-term debt are as follows:

For the Year Ending December 31,

| | |
|-----------------------------|---------------------------------|
| 2019 | \$ 20,814 |
| 2020 | 22,040 |
| 2021 | 23,171 |
| 2022 | 24,213 |
| 2023 | 25,350 |
| Thereafter | <u>652,637</u> |
| | 768,225 |
| Less unamortized loan fees | <u>(2,502)</u> |
| Total Long-Term Debt | <u><u>\$ 765,723</u></u> |

Note 7 - Net Assets With Donor Restrictions

Net assets were restricted by donors for the following purposes at December 31:

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------------|-----------------------------------|
| Endowment funds (Note 8) | \$ 803,297 | \$ 686,359 |
| Purpose restricted- | | |
| Rider scholarships, therapy and adaptive programs support | 200,820 | 213,771 |
| Horse sponsorship, purchase and care | 140,002 | 156,369 |
| Director of Development personnel expenses | 29,698 | 120,784 |
| Information technology upgrades | 5,274 | 33,145 |
| Paralympics competitions | 27,705 | 27,705 |
| Activity trail | 1,676 | 1,676 |
| Staff education | 758 | 783 |
| Other program items | 641 | 299 |
| Time restricted- | | |
| Operating pledges | <u>2,575</u> | <u>32,750</u> |
| | <u><u>\$ 1,212,446</u></u> | <u><u>\$ 1,273,641</u></u> |

Note 8 - Endowment Funds

Little Bit's endowments are restricted by donors to be held in perpetuity, the income from which is expendable to support Little Bit's operations and to fund scholarships.

LITTLE BIT THERAPEUTIC RIDING CENTER

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 8 - Continued

Little Bit is subject to the Washington State Prudent Management of Institutional Funds Act (PMIFA). The Board of Trustees of Little Bit has interpreted PMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Little Bit has interpreted PMIFA to permit spending from deficient funds in accordance with the prudent measures required under the law.

Little Bit has adopted an investment policy, approved by the Board of Trustees, that seeks preservation of principal and provides a dependable and reasonable rate of long-term investment return consistent with moderate investment risk. Little Bit's primary goals for its endowment fund are preservation of principal and to maximize income. The spending policy requires income of two to five percent to supplement general funding. The adopted spending rate is based on cash income and net realized gains and losses. In order to attain the stated investment goals, a preservation of capital/income asset allocation will be used for the funds with the following ranges:

| | |
|---------------------------|-------------------|
| Equities | Up to 35 percent |
| Fixed income | Up to 65 percent |
| Cash and cash equivalents | Up to 100 percent |

As of December 31, 2019, endowment net assets consisted of the following:

| | Endowment Unspent Earnings | Endowment Corpus | Total |
|-----------------------------------|----------------------------------|---------------------|-------------------|
| Scholarship endowment | \$ 20,942 | \$ 60,000 | \$ 80,942 |
| General endowment | 183,455 | 538,900 | 722,355 |
| Total at December 31, 2019 | \$ 204,397 | \$ 598,900 | \$ 803,297 |

As of December 31, 2018, endowment net assets consisted of the following:

| | Endowment Unspent Earnings | Endowment Corpus | Total |
|-----------------------------------|----------------------------------|---------------------|-------------------|
| Scholarship endowment | \$ 9,248 | \$ 60,000 | \$ 69,248 |
| General endowment | 78,211 | 538,900 | 617,111 |
| Total at December 31, 2018 | \$ 87,459 | \$ 598,900 | \$ 686,359 |

LITTLE BIT THERAPEUTIC RIDING CENTER

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 8 - Continued

Changes to endowment net assets for the years ended December 31, 2019 and 2018, were as follows:

| | Endowment Unspent Earnings | Endowment Corpus | Total |
|--|----------------------------------|---------------------|-------------------|
| Endowment net assets, January 1, 2018 | \$ 130,743 | \$ 598,900 | \$ 729,643 |
| Total endowment investment return | (24,191) | | (24,191) |
| Appropriation of endowment for expenditure | (19,093) | | (19,093) |
| Endowment Net Assets, December 31, 2018 | 87,459 | 598,900 | 686,359 |
| Total endowment investment return | 136,974 | | 136,974 |
| Appropriation of endowment for expenditure | (20,036) | | (20,036) |
| Endowment Net Assets, December 31, 2019 | \$ 204,397 | \$ 598,900 | \$ 803,297 |

Note 9 - Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management has a target of three to six months of an operating reserve consisting of cash and cash equivalents.

Little Bit's financial assets available within one year of the statement of financial position date for general expenditure were as follows at December 31:

| | 2019 | 2018 |
|---|---------------------|-------------------|
| Cash and cash equivalents | \$ 1,375,829 | \$ 1,299,982 |
| Grants and pledges receivable, net | 69,463 | 143,245 |
| Investments | 816,222 | 697,451 |
| Total financial assets | 2,261,514 | 2,140,678 |
| Receivables scheduled to be collected in more than one year | | (28,846) |
| Contractual or donor-imposed restrictions- | | |
| Endowment funds | (803,297) | (686,359) |
| Other donor restrictions | (409,149) | (587,282) |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 1,049,068 | \$ 838,191 |

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 10 - Subsequent Events

Little Bit has evaluated subsequent events through May 2, 2020, the date on which the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to year end, the World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern". This COVID-19 outbreak has caused business disruption through mandatory closures of multiple businesses and organizations. As a result of the closure at Little Bit that took place on March 17, 2020, some Little Bit employees are working remotely, some are deemed essential to the on-going health and welfare of the organization's horse herd and are working on-site, and a significant number of both part-time and full-time employees have been furloughed. The extent of the impact of COVID-19 on Little Bit's operations and financial performance will depend greatly on certain developments, including the length and duration of closures and "social distancing" requirements, and the financial impact to the families of our riders and patients - all of which cannot be predicted at the current time. At this point, the extent to which COVID-19 may impact Little Bit's financial condition or results of operations is uncertain, though loss of fees from cessation of adaptive riding classes, therapy sessions, workshops, camps, and donations will no doubt have a significant impact on the organization's financial condition.

As one of the responses to the closure, Little Bit applied for a Small Business Administration loan under the federal Paycheck Protection Program (PPP). Little Bit's PPP loan in the amount of \$315,124 was approved on April 15, 2020.