

LITTLE BIT THERAPEUTIC RIDING CENTER

Financial Statements

For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Little Bit Therapeutic Riding Center (Little Bit) which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Little Bit as December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Little Bit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Bit's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Little Bit's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Bit's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statistical information in Note 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, except for that portion marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for that portion marked “unaudited,” on which we express no opinion nor any assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
May 31, 2023

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,557,425	\$ 2,413,389
Grants and pledges receivable, net (Note 3)	70,471	53,716
Prepaid expenses and other current assets	<u>39,395</u>	<u>46,515</u>
Total Current Assets	2,667,291	2,513,620
Grants and pledges receivable for long-term purposes (Note 3)		68,000
Investments held for long-term purposes (Note 4)	826,107	1,050,337
Property and equipment, net (Note 5)	<u>8,164,778</u>	<u>8,016,931</u>
Total Assets	<u>\$ 11,658,176</u>	<u>\$ 11,648,888</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 160,245	\$ 131,863
Deferred revenue	137,222	138,683
Current portion of notes payable (Note 6)	<u>22,012</u>	<u>21,287</u>
Total Current Liabilities	319,479	291,833
Notes payable, net of current portion (Note 6)	<u>697,796</u>	<u>719,134</u>
Total Liabilities	1,017,275	1,010,967
Net Assets:		
Without donor restriction (Note 7)	9,298,622	8,756,365
With donor restriction (Note 8)	<u>1,342,279</u>	<u>1,881,556</u>
Total Net Assets	<u>10,640,901</u>	<u>10,637,921</u>
Total Liabilities and Net Assets	<u>\$ 11,658,176</u>	<u>\$ 11,648,888</u>

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 881,404	\$ 446,279	\$ 1,327,683
Contributions - in-kind donations	89,710		89,710
Special events, net of expenses	487,534		487,534
Program service fees	834,229		834,229
Rental income	21,949		21,949
Investment return	6,121	(201,532)	(195,411)
Other income	18,826		18,826
Employee Retention Credits	378,965		378,965
Net assets released from restrictions	784,024	(784,024)	
Total Revenue and Support	3,502,762	(539,277)	2,963,485
Expenses:			
Program services	2,229,729		2,229,729
Management and general	348,321		348,321
Fundraising	382,455		382,455
Total Expenses	2,960,505		2,960,505
Change in Net Assets	542,257	(539,277)	2,980
Net assets, beginning of year	8,756,365	1,881,556	10,637,921
Net Assets, End of Year	\$ 9,298,622	\$ 1,342,279	\$ 10,640,901

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 823,667	\$ 862,480	\$ 1,686,147
Contributions - in-kind donations	72,562		72,562
Special events, net of expenses	361,270		361,270
Program service fees	877,319		877,319
Rental income	13,138		13,138
Investment return	1,424	131,138	132,562
Other income	12,921		12,921
Gain on debt forgiveness	315,124		315,124
Net assets released from restrictions	423,420	(423,420)	
Total Revenue and Support	2,900,845	570,198	3,471,043
Expenses:			
Program services	2,017,644		2,017,644
Management and general	300,255		300,255
Fundraising	356,362		356,362
Total Expenses	2,674,261		2,674,261
Change in Net Assets	226,584	570,198	796,782
Net assets, beginning of year	8,529,781	1,311,358	9,841,139
Net Assets, End of Year	\$ 8,756,365	\$ 1,881,556	\$ 10,637,921

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,006,047	\$ 216,291	\$ 269,561	\$ 1,491,899
Payroll taxes	183,198	19,021	24,882	227,101
Employee benefits	88,201	16,538	29,177	133,916
Total Payroll Costs	1,277,446	251,850	323,620	1,852,916
Depreciation and amortization	287,238	7,957	13,522	308,717
Barn operations	275,602			275,602
Office expenses	36,454	14,900	21,919	73,273
Utilities	78,058	2,813	5,016	85,887
Special event expenses			88,442	88,442
In-kind expenses	85,655	3,391	666	89,712
Bank and credit card fees	41,713	2,452	5,705	49,870
Contract services	4,518	54,097	1,735	60,350
Insurance	34,228	3,082	1,186	38,496
Repairs and maintenance	50,386	1,239	1,990	53,615
Truck and equipment	12,310	808	1,494	14,612
Taxes	14,429	928	1,226	16,583
Travel and training	12,354	1,676	841	14,871
Recognition	4,595	3,128	2,129	9,852
Seminars, clinics and camps	14,743			14,743
Advertising and promotion			1,406	1,406
Total Expenses	2,229,729	348,321	470,897	3,048,947
Less special events expenses			(88,442)	(88,442)
Total Less Special Events Expenses	\$ 2,229,729	\$ 348,321	\$ 382,455	\$ 2,960,505

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 948,305	\$ 181,119	\$ 251,250	\$ 1,380,674
Payroll taxes	181,836	16,326	23,553	221,715
Employee benefits	69,385	16,971	10,905	97,261
Total Payroll Costs	1,199,526	214,416	285,708	1,699,650
Depreciation and amortization	279,657	5,316	12,160	297,133
Barn operations	213,415			213,415
Office expenses	35,336	14,597	24,858	74,791
Utilities	63,829	2,480	5,024	71,333
Special event expenses			68,649	68,649
In-kind expenses	53,870	2,226	11,466	67,562
Bank and credit card fees	47,453	2,847	7,402	57,702
Contract services	2,500	52,149	980	55,629
Insurance	36,543	797	1,856	39,196
Repairs and maintenance	32,274	808	1,882	34,964
Truck and equipment	14,731	778	1,801	17,310
Taxes	14,512	922	1,008	16,442
Travel and training	14,926	267	553	15,746
Recognition	3,563	2,652	1,060	7,275
Seminars, clinics and camps	5,509			5,509
Advertising and promotion			604	604
Total Expenses	2,017,644	300,255	425,011	2,742,910
Less special events expenses			(68,649)	(68,649)
Total Less Special Events Expenses	\$ 2,017,644	\$ 300,255	\$ 356,362	\$ 2,674,261

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

**Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from donors for operations	\$ 2,044,614	\$ 2,082,336
Cash received from program fees and other	1,278,220	922,845
Cash payments to employees	(1,482,440)	(1,374,769)
Cash payments to vendors and others	(1,206,700)	(1,024,795)
Cash paid for interest	(24,714)	(25,414)
Net Cash Provided by Operating Activities	608,980	580,203
Cash Flows From Investing Activities:		
Purchases of investments	(77,236)	(148,735)
Proceeds from sale of investments	80,343	148,105
Proceeds from sale of property and equipment	12,800	13,501
Purchase of property and equipment	(460,238)	(135,652)
Net Cash Used by Investing Activities	(444,331)	(122,781)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan		315,124
Payments on long-term debt	(20,613)	(19,911)
Net Cash (Used) Provided by Financing Activities	(20,613)	295,213
Change in Cash and Cash Equivalents	144,036	752,635
Cash and cash equivalents, beginning of year	2,413,389	1,660,754
Cash and Cash Equivalents, End of Year	\$ 2,557,425	\$ 2,413,389
Noncash Financing Activities:		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 315,124

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 1 - Nature of Operations

General - Little Bit Therapeutic Riding Center (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 therapies using equine movement and adaptive riding to children and adults with physical, emotional and/or developmental disabilities. The objective of these programs is to provide the riders and patients with the opportunity to improve their physical health, provide a sense of accomplishment and control, create a positive environment for learning, and to emphasize their capabilities. Little Bit's programs help improve participants' overall health, and positively impact their lives far beyond Little Bit's doors. Therapy and adaptive riding, and Equine-Facilitated Psychotherapy (EFP) are Little Bit's three main programs:

Therapy - Therapy at Little Bit is an intensive medical treatment 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 for daily activities and increased participation in family, school, and community life. In 2022 and 2021, Little Bit provided approximately 106 and 94 therapy sessions per week, respectively, year-round.

Adaptive Riding - Adaptive riding consists of a one-hour lesson with one to four participants similar in cognitive age and ability that focuses on increasing individual riding skills while gaining therapeutic benefits. In 2022 and 2021, 156 and 150 individuals with special needs, respectively, took part in our Adaptive Riding Program, averaging 125 and 120 riders per week year-round. A part of our Adaptive Riding Program is psychotherapy using horses and equine-assisted learning. This consists of Little Bit partnering with mental health professionals and educators to work alongside our equine specialists and horses.

Equine-Facilitated Psychotherapy (EFP) - EFP involves partnerships with local mental health professionals to provide services at our facility, working closely with equine specialists certified by PATH International. Horses are uniquely suited to this kind of therapy because they are intuitive and will react to behavior patterns and cues that people might miss, allowing the therapists to interact on a deeper level and address issues that might otherwise go unnoticed. In 2022 and 2021, 7 and 15 individuals participated in our EFP program, respectively, averaging 5 participants per week.

In 2022 and 2021, 33 and 35 specially trained horses provided therapy and adaptive riding to our participants, respectively. An average of 215 and 156 volunteers per week assisted with therapy sessions, adaptive riding lessons, facilities maintenance, equine care, and administrative and fundraising activities to offset the cost of programs and activities, respectively. A total of 871 and 504 individuals donated 20,498 and 19,226 hours of their time to Little Bit in 2022 and 2021, respectively. 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.

Please note that the program statistics in Note 1 above are for informational purposes and are unaudited.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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. Little Bit has designated certain net assets as board designated (Note 7).

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.

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 adaptive riding lessons, 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. As such, both program fees and special event ticket sales revenue is recognized at the point in time of the date of the event.

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.

Consequently, at December 31, 2022, conditional contributions approximating \$51,500, of which no amounts have been received in advance, have not been recognized in the accompanying financial statements. At December 31, 2021, conditional contributions approximating \$77,500, of which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 2 - Continued

Employee Retention Credits - Included in the CARES Act was the Employee Retention Credit (ERC) program to allow eligible employers to claim a credit against qualified wages paid to employees. The ERC program was expanded by the Taxpayer Certainty and Disaster Relief Act of 2022, enacted December 27, 2020. In order to be eligible, an employer must have experienced either a full or partial suspension of operations because of government orders related to COVID-19, or decline of gross receipts of a specified amount in a calendar quarter when compared to the same calendar quarter in 2019. Credits can be obtained on a retroactive basis dating back to March 27, 2020.

Little Bit applied for funding under the ERC program for various quarters. During the year ended December 31, 2022, Little Bit received funding and recognized ERC revenue of \$378,965.

In-Kind Contributions - In-kind contributions are recorded at their estimated fair values at the date of donation. Fair value is determined based on observable market prices for similar assets or fees that would normally be paid had the services not been donated. 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. In-kind donations are used by Little Bit in program, management and general, and fundraising activities. In-kind donations may also be capitalized based on the nature of the donation.

Little bit received the following in-kind donations for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Equine equipment	\$ 50,964	\$ 38,567
Professional services	25,409	19,770
Other	<u>13,337</u>	<u>14,225</u>
Total In-Kind Donations	<u>\$ 89,710</u>	<u>\$ 72,562</u>

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.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 2 - Continued

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. The allowance was \$1,000 for the years ended December 31, 2022 and 2021.

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 15 to 40 years for buildings, 10 to 15 years for land improvements, 5 to 7 years for furniture and equipment, and 3 years for horses.

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.

Reclassification - Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets and changes in net assets.

Subsequent Events - Little Bit has evaluated subsequent events through May 31, 2023, the date on which the financial statements were available to be issued.

Note 3 - Grants and Pledges Receivable

Grants and pledges receivable at December 31, 2022 and 2021 were \$70,471 and \$121,716, respectively. At December 31, 2022 amounts are due in less than one year. At December 31, 2021, amounts are due in less than one year, with the exception of the \$68,000 to fund long-term assets for capital purposes. As such, no discount on grants and pledges receivable was recognized for the years ended December 31, 2022 and 2021.

Grants and pledges receivable include certain concentrations with individual supporters. As of December 31, 2022 and 2021, 60% and 72%, of Little Bit's outstanding grants and pledges receivable are due from three donors.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 4 - Investments and Fair Value Measurements

Investments consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 79,073	\$ 79,264
Equities-		
U.S.	445,657	571,740
International	74,350	91,185
Fixed income mutual funds	<u>227,027</u>	<u>308,148</u>
Total Investments	<u>\$ 826,107</u>	<u>\$ 1,050,337</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 25,789	\$ 22,374
Realized and unrealized (losses) gains	(221,123)	110,771
Investment fees	<u>(77)</u>	<u>(583)</u>
Total Investment Return	<u>\$ (195,411)</u>	<u>\$ 132,562</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, 2022 and 2021.

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.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 4 - Continued

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.

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,320,817	\$ 2,320,817
Land improvements	774,000	774,000
Buildings	7,523,039	7,148,539
Furniture and equipment	497,680	471,680
Horses	108,302	100,200
Construction in progress	<u>40,728</u>	<u>15,092</u>
	11,264,566	10,830,328
Accumulated depreciation	<u>(3,099,788)</u>	<u>(2,813,397)</u>
Total Property and Equipment, Net	<u><u>\$ 8,164,778</u></u>	<u><u>\$ 8,016,931</u></u>

Note 6 - Notes Payable

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

	<u>2022</u>	<u>2021</u>
Note payable to a bank, original amount of \$777,762, interest at 3.31%, monthly principal and interest payments of \$3,883 starting July 1, 2020, through June 1, 2030. The loan is secured by a deed of trust on property.	\$ 724,802	\$ 746,088
Less unamortized debt issuance costs	<u>(4,994)</u>	<u>(5,667)</u>
	719,808	740,421
Less current portion	<u>(22,012)</u>	<u>(21,287)</u>
Total Long-Term Debt, Net of Current Portion	<u><u>\$ 697,796</u></u>	<u><u>\$ 719,134</u></u>

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 6 - Continued

Future maturities of long-term debt are as follows:

For the Year Ending December 31,

2023	\$	22,012	
2024		22,697	
2025		23,536	
2026		24,388	
2027		25,168	
Thereafter		607,001	
			724,802
Less unamortized loan fees			(4,994)
Total Long-Term Debt	\$	719,808	

Note 7 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Designated by the Board of Directors-		
Personnel wage expenses	\$ 411,000	\$ -
Hay Barn capital project		50,000
Undesignated net assets	<u>8,887,622</u>	<u>8,706,365</u>
	<u>\$ 9,298,622</u>	<u>\$ 8,756,365</u>

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 8 - Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Endowment funds (Note 9)	\$ 812,578	\$ 1,036,617
Purpose restricted-		
Therapy and adaptive programs support	171,493	197,903
Rider scholarships	63,187	60,243
Horse sponsorship, purchase and care	224,566	231,670
Paralympics competitions	27,705	27,705
Capital expansion	4,171	301,055
Other program items	19,313	21,695
Time restricted-		
Operating pledges	19,266	4,668
	<u><u>\$ 1,342,279</u></u>	<u><u>\$ 1,881,556</u></u>

Note 9 - 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 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, Little Bit 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

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 9 - Continued

As of December 31, 2022, endowment net assets consisted of the following:

	Endowment Unspent Earnings	Endowment Corpus	Total
Scholarship endowment	\$ 21,364	\$ 60,000	\$ 81,364
General endowment	192,314	538,900	731,214
Total at December 31, 2022	\$ 213,678	\$ 598,900	\$ 812,578

As of December 31, 2021, endowment net assets consisted of the following:

	Endowment Unspent Earnings	Endowment Corpus	Total
Scholarship endowment	\$ 43,768	\$ 60,000	\$ 103,768
General endowment	393,949	538,900	932,849
Total at December 31, 2021	\$ 437,717	\$ 598,900	\$ 1,036,617

Changes to endowment net assets for the years ended December 31, 2022 and 2021, were as follows:

	Endowment Unspent Earnings	Endowment Corpus	Total
Endowment net assets, January 1, 2021	\$ 326,946	\$ 598,900	\$ 925,846
Endowment investment return	131,138		131,138
Appropriation of endowment for expenditure	(20,367)		(20,367)
Endowment Net Assets, December 31, 2021	437,717	598,900	1,036,617
Endowment investment return	(201,532)		(201,532)
Appropriation of endowment for expenditure	(22,507)		(22,507)
Endowment Net Assets, December 31, 2022	\$ 213,678	\$ 598,900	\$ 812,578

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies for the years ended December 31, 2022 and 2021.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 10 - Liquidity and Availability of Financial Assets

As part of Little Bit'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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,557,425	\$ 2,413,389
Grants and pledges receivable, net	70,471	121,716
Investments	<u>826,107</u>	<u>1,050,337</u>
Total financial assets	3,454,003	3,585,442
Contractual or donor-imposed restrictions-		
Endowment funds	(812,578)	(1,036,617)
Other donor restrictions	<u>(529,701)</u>	<u>(844,939)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 2,111,724</u></u>	<u><u>\$ 1,703,886</u></u>