

Financial Statements

Habitat for Horses, Inc.

December 31, 2021



Katherine Overbeck Maxwell, CPA, PLLC

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Galveston, TX 77550

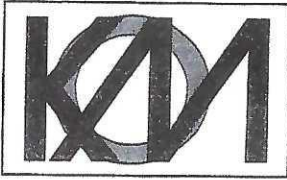
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Habitat for Horses, Inc.

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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, 2021, 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.

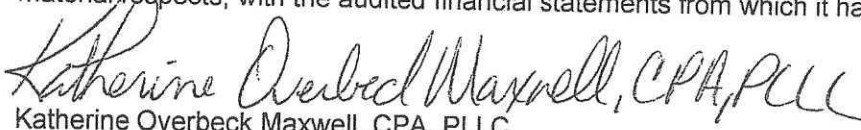
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Habitat for Horses, Inc.'s 2020 financial statements, and in our report dated January 13, 2022, 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, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Katherine Overbeck Maxwell, CPA, PLLC.

Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

September 26, 2022

Habitat for Horses, Inc.
Statement of Financial Position
December 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 304,723	\$ 385,714
Accounts Receivable, net	41,361	53,230
Investment	650,179	514,765
Prepaid Expenses	<u>7,513</u>	<u>8,346</u>
Total Current Assets	1,003,776	962,055
Property and Equipment, net of Accumulated Depreciation of \$557,372 and \$511,006, respectively	<u>2,615,270</u>	<u>2,474,444</u>
TOTAL ASSETS	\$ <u>3,619,046</u>	\$ <u>3,436,499</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 96,872	\$ 10,453
Credit Cards	12,445	6,200
Payroll Liabilities	9,394	13,128
AgAmerica Note Payable		
Principal Amount	423,381	886,531
Less: Unamortized Loan Insurance Cost	<u>-</u>	<u>(440)</u>
AgAmerica Note Payable, net	423,381	886,091
SBA Note Payable (Current)	26,256	-
Total Current Liabilities	<u>568,348</u>	<u>915,872</u>
Non-Current Liabilities		
SBA Note Payable	456,946	150,000
TOTAL LIABILITIES	\$ <u>1,025,294</u>	\$ <u>1,065,872</u>
NET ASSETS		
Without Donor Restrictions	<u>2,593,752</u>	<u>2,370,627</u>
TOTAL NET ASSETS	<u>2,593,752</u>	<u>2,370,627</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,619,046</u>	\$ <u>3,436,499</u>

See accompanying notes to the financial statements

Habitat for Horses, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES:		
REVENUE AND OTHER SUPPORT		
Contributions	\$ 1,298,911	\$ 1,519,046
Contributions in Kind	-	-
Grants	68,210	172,350
Adoption Fees	16,420	16,623
Merchandise Sales, Net	(28,549)	(18,484)
Bingo Income	186,487	129,229
Gain (Loss) on Sals of Assets	185,800	(7,231)
Other Income	60,681	6,305
TOTAL REVENUE AND OTHER SUPPORT	\$ <u>1,787,960</u>	\$ <u>1,817,838</u>
EXPENSES		
Program	\$ 1,440,691	\$ 1,360,965
Management & General	109,959	91,523
Fundraising	77,321	78,029
TOTAL EXPENSES	\$ <u>1,627,971</u>	\$ <u>1,530,517</u>
CHANGE IN NET ASSETS FROM OPERATIONS	159,989	287,321
NON-OPERATING ACTIVITIES:		
Investment Return, net	63,136	47,538
TOTAL NONOPERATING ACTIVITIES	<u>63,136</u>	<u>47,538</u>
CHANGE IN NET ASSETS	223,125	334,859
NET ASSETS, BEGINNING OF YEAR	<u>2,370,627</u>	<u>2,035,768</u>
NET ASSETS, END OF YEAR	\$ <u>2,593,752</u>	\$ <u>2,370,627</u>

See accompanying notes to the financial statements

Habitat for Horses, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	2021				2020
	Program Services	Management & General	Fundraising	Total	Total
EXPENSES					
Payroll Expense	\$ 361,378	\$ 42,515	\$ 21,258	\$ 425,151	\$ 361,648
Payroll Tax Expense	27,820	3,273	1,636	32,729	28,033
Employee Benefits	61,740	7,264	3,632	72,636	52,184
Total Salaries & Related Expenses	450,938	53,052	26,526	530,516	441,865
Advertising	-	-	-	-	48
Bank Charges	20,423	-	-	20,423	11,559
Computer and Software	5,456	-	-	5,456	6,127
Educational Expenses	362,169	-	-	362,169	299,676
Horse Expenses	297,626	-	-	297,626	286,603
Insurance	13,748	-	-	13,748	21,055
Interest	28,036	12,016	-	40,052	46,460
License and Permits	-	7,870	-	7,870	4,589
Miscellaneous	-	458	-	458	321
Membership and Subscription	-	42	-	42	-
Office Expenses	9,990	14,985	-	24,975	15,943
Professional Fees	29,367	21,536	46,987	97,890	106,873
Ranch Expenses	56,193	-	-	56,193	53,115
Repairs and Maintenance	44,868	-	-	44,868	41,499
Postage	-	-	-	-	-
Fundraising Expenses	-	-	3,808	3,808	-
Telephone and Internet	3,371	-	-	3,371	19,343
Travel, Meals, Entertainment	21	-	-	21	153
Utilities	3,176	-	-	3,176	5,189
Veterinarian Expenses	47,676	-	-	47,676	37,960
Federal Income Taxes	18,292	-	-	18,292	67,887
Other Taxes	2,535	-	-	2,535	2,197
Depreciation	46,366	-	-	46,366	58,025
Amortization	440	-	-	440	4,030
TOTAL EXPENSES	\$ 1,440,691	\$ 109,959	\$ 77,321	\$ 1,627,971	\$ 1,530,517

See accompanying notes to the financial statements

Habitat for Horses, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 223,125	\$ 334,859
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	46,806	62,055
Net of Realized and Unrealized (Gains) Losses on Investments	(55,027)	(35,111)
Realized (Gains) Losses on Sale of Fixed Assets	(185,800)	7,231
(Increase) Decrease in Accounts Receivable	11,869	(23,091)
(Increase) Decrease in Prepaid Expenses	833	(302)
Increase (Decrease) in Accounts Payable	86,419	(181,316)
Increase (Decrease) in Credit Cards	6,245	(68,348)
Increase (Decrease) in Payroll Liabilities	(3,734)	6,738
Net Cash Provided by (Used in) Operating Activities	<u>130,736</u>	<u>102,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	213,668	244,085
Purchase of Investments	(294,055)	(237,792)
Proceeds from Sale Property and Equipment	295,800	22,250
Purchase of Property and Equipment	(297,192)	(40,129)
Retirement of Equipment		71,659
Net Cash Provided by (Used in) Investing Activities	<u>(81,779)</u>	<u>60,074</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Note Payable	333,202	150,000
Payment of Note Payable	(463,150)	(54,065)
Net Cash Provided by (Used in) Financing Activities	<u>(129,948)</u>	<u>95,935</u>
NET INCREASE (DECREASE) IN CASH	(80,991)	258,723
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>385,714</u>	<u>126,991</u>
CASH AND CASH EQUIVALENT, END OF YEAR	<u>\$ 304,723</u>	<u>\$ 385,714</u>
Supplemental Cash Flow Information:		
Cash Paid for Interest	\$ 40,052	\$ 46,460
Cash Paid for Income Taxes	\$ 18,292	\$ 67,887

See accompanying notes to the financial statements

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

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 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, 2021 and 2020, the Organization had net assets without donor restrictions of \$2,593,752 and \$2,370,627 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, 2021 and 2020, 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, 2021

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, 2021 and 2020 was \$304,723 and \$385,016, 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, 2021, and 2020, 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 \$0 and \$0 was recorded at December 31, 2021 and 2020, respectively.

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, 2021 and 2020, 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 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, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment (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">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets;• Inputs other than quoted prices that are observable for the asset/liability; and,• Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

For the year ended December 31, 2021 and 2020, 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.

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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.

In-Kind Donations

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 \$18,292 and \$67,887 was incurred as of December 31, 2021 and 2020, respectively.

Accounting Pronouncements Adopted

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 adopted ASU 2016-14 in 2018 and was applied retrospectively to all periods presented.

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

Accounting Pronouncements Adopted (Continued)

In 2020, the Organization adopted the provisions of FASB ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Adoption of this pronouncement had no effect on the Organization's current or previously issued financial statements.

The Organization adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. Adoption of this pronouncement had no effect on the Organization's current or previously issued financial statements.

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07)— Effective for nonprofits in 2022, the amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted.

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

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:

	2021	2020
Financial assets at year end:		
Cash and Cash Equivalents	\$ 304,723	\$ 385,714
Accounts Receivable	41,361	53,230
Investments	650,179	514,765
Total Financial Assets	<u>\$ 996,263</u>	<u>\$ 953,709</u>

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, 2021 and 2020:

	2021		2020	
	Cost	Market	Cost	Market
UBS Investments:				
Cash	\$ 11,235	\$ 11,235	\$ 15,087	\$ 15,087
Equities	386,366	488,426	270,614	337,420
Fixed Income	124,323	124,001	102,275	108,194
Subtotal	521,925	623,662	387,976	460,700
Other Investments:				
Kings Bingo Trust	26,517	26,517	54,064	54,064
Total	<u>\$ 548,442</u>	<u>\$ 650,179</u>	<u>\$ 442,040</u>	<u>\$ 514,765</u>

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, 2021 and 2020:

	2021	2020
Dividends	\$ 13,602	\$ 16,431
Interest	260	145
Net realized gains (losses)	26,953	11,481
Net unrealized gains (losses)	28,074	23,631
Investment management fees	(5,753)	(4,149)
Total investment return, net	<u>\$ 63,136</u>	<u>\$ 47,538</u>

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

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, 2021 and 2020, the Organization received income distribution of \$186,487 and \$129,229, respectively. The investment in Kings Bingo Trust is valued at \$26,517.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 are as follows:

Description	Dec 31, 2020	Additions	Retirements	Dec 31, 2021
Land	\$ 2,110,000	-	(110,000)	\$ 2,000,000
Hay Equipment	247,897	-	-	247,897
Computer Equipment	3,405	-	-	3,405
Ranch Equipment	204,900	52,208	-	257,107
Buildings and Improvements	318,080	-	-	318,080
Medical Equipment	32,045	-	-	32,045
Vehicles	31,584	139,657	-	171,241
Machinery	37,540	-	-	37,540
Construction-In-Progress	-	105,327	-	105,327
Total Property & Equipment	2,985,450	297,192	(110,000)	3,172,642
Less Accumulated Depreciation	(511,006)	(46,366)	-	(557,372)
Property & Equipment, Net	\$ 2,474,444	\$ 250,826	\$ (110,000)	\$ 2,615,270

For the year ended December 31, 2021 and 2020, depreciation expense was \$46,366 and \$58,025, respectively.

NOTE 7 – NOTES PAYABLE

AgAmerica Loan

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, 2021 and 2020 was \$423,381 and \$886,531, respectively.

SBA Loan

The Organization received a secured 30-year Small Business Administration (SBA) loan with a face amount of \$150,000 on May, 30, 2020. The terms of the agreement included an interest rate of 2.75% per annum which is accrued only on funds actually advanced from the date (s) of each advance. Installment payments of \$641 per month (principal and interest) will begin twelve

Habitat for Horses, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE 7 – NOTES PAYABLE (CONTINUED)

SBA Loan (Continued)

months from the date of the agreement. On November 7, 2021, the note was amended and the loan amount was increased to \$500,000. The terms of the amended agreement included an annual interest rate of 2.75% with an increase in the monthly installment payments from \$641 to \$2,188. The loan balance at December 31, 2021 was \$483,202.

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 \$41,356 and \$28,863 as of December 31, 2021 and 2020, respectively.

NOTE 9 – RELATED-PARTY TRANSACTIONS

The Organization purchased a 2005 Chevy Silverado Pick-Up truck from the Chief Executive Officer for \$21,000 on January 8, 2021. Management believes that the purchase price was based on the fair market value of comparable vehicles and therefore reasonable.

NOTE 10 – 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, 2020, from which the summarized information was derived.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2022 which is the date the financial statements were available to be issued.