

THE EQUUS EFFECT, INC.

**FINANCIAL REPORT
(Compiled)**

DECEMBER 31, 2021

THE EQUUS EFFECT, INC.

FINANCIAL REPORT

DECEMBER 31, 2021

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
The Equus Effect, Inc.
Sharon, Connecticut

Management is responsible for the accompanying financial statements of The Equus Effect, 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Carter, Hayes + Associates, P.C.

Hamden, Connecticut
May 19, 2022

THE EQUUS EFFECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

(See Independent Accountants' Compilation Report)

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 346,605	\$ 8,963	\$ 355,568
Accounts receivable	11,250	-	11,250
<i>Total current assets</i>	357,855	8,963	366,818
FIXED ASSETS			
Land	180,081	-	180,081
Buildings	195,087	-	195,087
Improvements	209,301	-	209,301
	584,469	-	584,469
Less accumulated depreciation	21,807	-	21,807
	562,662	-	562,662
TOTAL ASSETS	\$ 920,517	\$ 8,963	\$ 929,480
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 13,970	\$ -	\$ 13,970
<i>Total current liabilities</i>	13,970	-	13,970
MORTGAGE PAYABLE	350,000	-	350,000
NET ASSETS	556,547	8,963	565,510
TOTAL LIABILITIES AND NET ASSETS	\$ 920,517	\$ 8,963	\$ 929,480

See Notes to Financial Statements.

THE EQUUS EFFECT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions	\$ 202,137	\$ 16,000	\$ 218,137
Fundraising event, net of \$9,747 in direct benefit costs to donors	94,551	-	94,551
Program revenue	75,700	-	75,700
Interest income	274	-	274
Released from restriction	24,251	(24,251)	-
<i>Total operating support and revenue</i>	<u>396,913</u>	<u>(8,251)</u>	<u>388,662</u>
EXPENSES			
Program services	144,364	-	144,364
General and administrative	36,483	-	36,483
Fundraising	19,036	-	19,036
<i>Total expenses</i>	<u>199,883</u>	<u>-</u>	<u>199,883</u>
CHANGES IN NET ASSETS	197,030	(8,251)	188,779
NET ASSETS , beginning of year	<u>359,517</u>	<u>17,214</u>	<u>376,731</u>
NET ASSETS , end of year	<u>\$ 556,547</u>	<u>\$ 8,963</u>	<u>\$ 565,510</u>

See Notes to Financial Statements.

THE EQUUS EFFECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31 2021
(See Independent Accountants' Compilation Report)

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Contracted services	\$ 63,711	\$ 18,070	\$ 10,390	\$ 92,171
Farm and facilities	25,240	1,817	454	27,511
Horse expenses	21,014	-	-	21,014
Depreciation	13,492	3,598	899	17,989
Insurance	6,899	2,583	460	9,942
Communications and technology	2,898	2,898	2,986	8,782
Office supplies and expenses	1,355	6,704	357	8,416
Training	4,948	-	-	4,948
Printing and publications	1,205	813	1,840	3,858
Travel, meals and entertainment	3,272	-	-	3,272
Advertising and promotion	330	-	1,650	1,980
	<u>\$ 144,364</u>	<u>\$ 36,483</u>	<u>\$ 19,036</u>	<u>\$ 199,883</u>

See Notes to Financial Statements.

THE EQUUS EFFECT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Increase in net assets</i>	\$ 188,779
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	17,989
Increase in accounts receivable	(10,450)
Increase in accounts payable	<u>8,951</u>
<i>Net cash provided by operating activities</i>	<u>205,269</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of improvements	<u>(39,332)</u>
<i>Net cash used in investing activities</i>	<u>(39,332)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal paid on mortgage	<u>(14,000)</u>
<i>Net cash used in financing activities</i>	<u>(14,000)</u>
 NET INCREASE IN CASH	 151,937
 CASH, beginning	 <u>203,632</u>
CASH, ending	<u><u>\$ 355,569</u></u>

See Notes to Financial Statements.

THE EQUUS EFFECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Equus Effect, Inc. was created in 2012 to help veterans and others in transition with the tools they need to build healthy relationships at home and in their communities through purposeful engagement with horses.

The Equus Effect, Inc. employs a peer-to-peer program with facilitators, horses and other veterans who work as a team to accelerate a veteran's journey home to family and community. The curriculum is designed to introduce the principles of natural horsemanship as a way to help veterans gain the trust, respect and willingness to collaborate from those with whom they live and work. The program teaches veterans the value of using finesse vs. force and cooperation vs. control.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recognition of Support

Contributions are defined as voluntary, non-reciprocal transfers. Contributions are recognized as support when received or pledged, if applicable. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is received. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

THE EQUUS EFFECT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Basis of Accounting

The financial statements of The Equus Effect, Inc. have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Direct costs that can be specifically identified with the program or activity are charged to the respective program or activity. Certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management using a reasonable basis that is consistently applied. The expenses that are allocated include contracted services, communications and technology, and office expenses, which are allocated on the basis of estimates of time and effort. Farm and facilities and depreciation are allocated based upon estimated square footage.

Fixed Assets and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life greater than three years. Donated property is stated at fair market value as determined by management at the date contributed. Property purchased is recorded at cost. Maintenance and repair costs are charged to operations as incurred; major renewals and betterments are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets, ranging from 10 to 30 years.

Income Taxes

The Equus Effect, Inc., a not-for-profit organization operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local taxes and, accordingly, no provision for income taxes is recorded in the financial statements.

The Organization accounts for uncertainty in income taxes in accordance with FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. The Organization believes that there are no uncertain tax position with any of its open tax years and has no open tax years prior to the year ended December 31, 2018. The Equus Effect, Inc.'s tax returns are subject to examination, generally for three years after they are filed.

Concentrations of Credit Risk

The Equus Effect, Inc. places its cash deposits with high credit-quality institutions and such deposits may at times exceed federal depository insurance limits. The Organization believes it is not exposed to any significant credit risk on cash.

THE EQUUS EFFECT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Revenue Recognition

The Equus Effect, Inc. has adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), issued by the Financial Accounting Standards Board (FASB) which is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

The Organization provides training to individuals who are interested in enhancing their own self-awareness and emotional resilience in order to help clients achieve the same through Experiential Learning with Horses. Revenue is recognized, and payment is due, as training is provided. Payments received in advance of training are recorded as deferred revenue until training services are rendered.

Accounts Receivable

Accounts receivable arise in the normal course of business are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management uses reasonable collection efforts are charged to the allowance for doubtful accounts and credited to accounts receivable.

Management determined that a provision for bad debt expense and an allowance for doubtful accounts was unnecessary as of December 31, 2021.

Subsequent Events

Management has evaluated subsequent events through May 19, 2022, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:	
Cash	\$355,568
Accounts receivable	<u>11,250</u>
Total financial assets	366,818
Less amounts not available to be used for general expenditures:	
Net assets with donor restrictions	<u>(8,963)</u>
Financial assets available to meet general expenditures within one year	<u>\$357,855</u>

The Organization plans to have sufficient financial assets to meet obligations as they come due.

THE EQUUS EFFECT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

3. Mortgage Payable

The Organization purchased property located at 35 Drum Road, Sharon, Connecticut for \$375,000 on August 27, 2020. The property consists of two cottages, a barn and pasture located on approximately 4.7 acres. A portion of the purchase was financed with a \$370,000 mortgage executed with the seller of the property. The mortgage is secured by the property and requires ten monthly principal only payments of \$2,000 beginning October 1, 2020. Beginning on January 1, 2023, the remaining \$350,000 is to be paid in 240 monthly installments of \$1,941, including interest at 3%. As of December 31, 2021, the mortgage payable balance is \$350,000. Aggregate annual maturities required on mortgages at December 31, 2021 are as follows:

2022	\$ -
2023	12,970
2024	13,365
2025	13,771
2026	14,190
Thereafter	<u>295,704</u>
	<u>\$350,000</u>

4. Net Assets With Donor Restrictions

In 2019, the Organization began a capital campaign to raise funds to purchase, and make necessary improvements to, property located at 35 Drum Road, Sharon, Connecticut. For the period through December 31, 2021, The Equus Effect, Inc. has received contributions totaling approximately \$210,000 and used these funds to make improvements to buildings and construct riding pens to run programs. As of December 31, 2021, net assets with donor restrictions of \$8,963 is to be used for the remaining improvements to be made to the property.

5. COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, which continues to spread throughout the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, “shelter in place” and other governmental regulations. The extent of the impact of COVID-19 on The Equus Effect, Inc.’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s clients, contractors and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.