FINANCIAL STATEMENTS

HORSEPOWER, INC.
HIGH POINT, NORTH CAROLINA

Year Ended December 31, 2022 and 2021

THOMAS E. GATEWOOD, JR., C.P.A., P.C.

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Thomas E. Gatewood, Jr. C.P.A. P.C.

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To the Officers and Directors
Horsepower, Inc.
High Point, North Carolina

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Horsepower, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horsepower, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Horsepower, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Horsepower, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Horsepower, Inc.'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 Horsepower, Inc.'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.

Thomas E. Gatewood Jr

THOMAS E. GATEWOOD, JR, CPA, PC

Winston Salem, North Carolina
July 11, 2023

Exhibit A

HORSEPOWER, INC.
HIGH POINT, NORTH CAROLINA

STATEMENT OF FINANCIAL POSITION
As of December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash	$ 275,248	$ 257,609
Unconditional Promises to Give	-0-	10,000
Prepaid expenses	18,805	16,019
Sales Tax Refund Receivable	420	376
Total Current Assets	$ 294,473	$ 284,004
Property and Equipment		
Buildings	$ 54,949	$ 54,949
Equipment	68,315	54,585
Horses	65,306	55,756
	$ 188,570	$ 165,290
Less Accumulated Depreciation	(100,319)	(89,901)
Net Property and Equipment	$ 88,251	$ 75,389
Other Assets		
Right-of-Use Asset – Operating (Note 7)	$ 236,397	$ -0-
Right-of-Use Asset – Finance (Note 7)	3,696	-0-
	$ 240,093	$ -0-
Less Accumulated Amortization	(411)	-0-
	$ 239,682	$ -0-
Total Assets	$ 622,406	$ 359,393

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Accounts Payable	$ 4,414	$ 1,736
Deferred Revenue (Note 2)	15,070	-0-
Lease Liability – Operating – Current Portion	8,486	-0-
Lease Liability – Finance – Current Portion	1,206	-0-
Total Current Liabilities	$ 29,176	$ 1,736
Long-Term Liabilities		
Lease Liability – Operating (Note 7)	$ 227,911	$ -0-
Lease Liability – Finance (Note 7)	2,097	-0-
Total Long-Term Liabilities	$ 230,008	$ -0-
Net Assets Without Donor Restrictions	$ 363,222	$ 357,657
Total Liabilities and Net Assets	$ 622,406	$ 359,393

Exhibit B

HORSEPOWER, INC.
HIGH POINT, NORTH CAROLINA

STATEMENT OF ACTIVITIES AND CHANGES IN ASSETS
For the years ended December 31, 2022 and 2021

	2022 Without Donor Restrictions	2022 With Donor Restrictions	Total
Support and Revenue			
Contributions and Grants	$ 203,298	$ -0-	$ 203,298
Donated Horses & Services	27,250		27,250
Lessons and Activity Fees	162,867		162,867
Special Events	84,964		84,964
Less: Direct Benefits to Donors	(10,400)		(10,400)
Other Income	1,846	-0-	1,846
Total Support and Revenue	$ 469,825	$ -0-	$ 469,825
Net Assets Released from Restrictions	$ -0-	$ -0-	$ -0-
Total Support, Revenue, and Releases	$ 469,825	$ -0-	$ 469,825
Operating Expenses			
Operating and Functional Expenses (Note 6)	$ 431,527	$ -0-	$ 431,527
Fundraising	32,733	-0-	$ 32,733
Total Operating Expenses	$ 464,260	$ -0-	$ 464,260
Increase in Net Assets	$ 5,565	$ -0-	$ 5,565
Net Assets – Beginning of Year	$ 357,657	$ -0-	$ 357,657
Net Assets – End of Year	$ 363,222	$ -0-	$ 363,222

The accompanying notes are an integral part of these financial statements.

2021 Without Donor Restrictions	With Donor Restrictions	Total
$ 264,944	$ -0-	$ 264,944
21,600		21,600
121,168		121,168
100,607		100,607
(8,476)		(8,476)
1,887	-0-	1,887
$ 501,730	$ -0-	$ 501,730
$ -0-	$ -0-	$ -0-
$ 501,730	$ -0-	$ 501,730
$ 319,718	$ -0-	$ 319,718
43,726	-0-	43,726
$ 363,444	$ -0-	$ 363,444
$ 138,286	$ -0-	$ 138,286
$ 219,371	$ -0-	$ 219,371
$ 357,657	$ -0-	$ 357,657

Exhibit C

HORSEPOWER, INC.
HIGH POINT, NORTH CAROLINA

STATEMENT OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Increase in Net Assets	$ 5,565	$ 138,286
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	17,016	11,432
Loss on Disposal of Property and Equipment	4,352	1,708
Donated Property and Equipment	(24,000)	(21,600)
Right of Use Amortization	411	-0-
(Increase) Decrease in Operating Activities:		
Promises to Give	10,000	(10,000)
Prepaid Expense	(2,786)	(5,873)
Other Current Assets	(44)	313
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Current Liabilities	$ 17,748	$ 257
Net Cash Provided by Operating Activities	$ 28,262	$ 114,523
Cash Flows from Investing Activities		
Sale of Horse	$ 3,500	$ -0-
Purchase of Property and Equipment	(13,730)	(11,205)
Net Cash (Used in) Investing Activities	$ (10,230)	$ (11,205)
Cash Flows from Financing Activities		
Finance Lease Principal Payments	$ (393)	$ -0-
Net Cash (Used in) Financing Activities	$ (393)	$ -0-
Net Increase (Decrease) in Cash	$ 17,639	$ 103,318
Cash – Beginning of Year	257,609	154,291
Cash – End of Year	$ 275,248	$ 257,609

The accompanying notes are an integral part of these financial statements.

HORSEPOWER, INC.
HIGH POINT, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

NOTE 1: DESCRIPTION OF ORGANIZATION

Horsepower, Inc. is a North Carolina nonprofit organization formed in 1995, whose mission is to promote and enhance the welfare of individuals with disabilities by providing a program of therapeutic, educational and recreational value. Individuals who are mentally, physically, emotionally and/or socially challenged are empowered through the use of horses in a safe and controlled atmosphere. The Organization is supported through public contributions, Organization and corporate grants, and program fees in the Triad region of North Carolina. Horsepower Foundation, Inc. (a nonprofit organization) was formed in 2013 to raise funds and assets for the benefit of Horsepower. Inc.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Horsepower, Inc. prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting
The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Net Assets
The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net Assets Without Donor Restrictions
Nets assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting for the nature of the program, the environment in which it operates, the purpose specified in its corporate documents and its application for tax exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions
Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions may be perpetual in nature; the program must continue to use the resources in accordance with the donor's instructions.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the program, unless the donor provides more specific directions about the period of its use.

Classification of Transactions
All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents
For the purpose of the statement of cash flows, the Organization considers cash, demand deposits, and highly liquid investments with a maturity value of three months or less to be cash equivalents.

Contributions and Promises to Give
Contributions are presented as restricted support if they are received with donor's stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions are recognized upon notification of a donor's unconditional promise to give to the Organization. Conditional promises to give, that is, those with measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue and Revenue Recognition
The Organization recognizes revenue from therapeutic riding lessons during the period in which the services are provided. Riding sessions are held for six-week sessions, and fees are usually collected at the beginning of each session. The performance obligation of delivering the lessons service is simultaneously received and consumed by the customers; therefore, the revenue is recognized ratably over the course of the six-week period.

Revenue derived from group activities is recognized as activities are held.

The Organization records special revenue events equal to the fair value of the direct benefits to donors and contribution income for the excess received when the event takes place.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue
Deposits and contributions applicable to expenditures subsequent to the current year are deferred and recognized as revenue in subsequent periods. This includes the $15,070 in contributions received during December 2022 earmarked for the care and sponsorship of the horses.

Donated Services
Donated services are recorded if they create or enhance a non-financial asset or if they services received require specialized skills that would have otherwise been purchased by the Organization.

A substantial number of volunteers donate significant amounts of their time to the Organization and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as donated services.

Property and Equipment
The Organization capitalizes purchased property and equipment in excess of $1,000 at cost. In the case of donated assets, property and equipment is stated at the estimated fair market value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose or long-term use. Property and equipment are depreciated using the straight-line method over the estimated useful lives, ranging from 3 to 40 years. Expenditures for maintenance and repairs that do not improve or extend the life of an assets are expensed as incurred.

Expense Recognition and Allocation
The cost of providing the programs and other activities summarized on a functional basis (see Note 6). Expenses are reported by natural classification and function. Most expenses can be directly attributed to that program or supporting functions. Therefore, these expenses have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied as follows:

Salaries, benefits and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, maintenance, and depreciation are allocated based on a square foot basis dependent on the programs and supporting activities occupying the space.

General and administrative expense include those costs that are not directly identifiable with any specific program, but which provide the overall support of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The program generally does not conduct its fundraising activities in conjunction with its other activities.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status
The Organization is exempt from income tax status under Section 501(c)(3) of the Internal Revenue Code (IRC) except on net income derived from unrelated business activities. The Organization has evaluated all tax positions to identify any that might be uncertain. No material uncertain tax positions were identified for the years ended December 31, 2022 and 2021. Accordingly, no provision for income tax has been recorded in the accompanying financial statements.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 those estimates.

Prepaid and Other Assets
Prepaid and other assets are expenses prepaid for a future period and sales tax refunds.

Lease Accounting Policy
In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROA) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Horsepower, Inc. adopted Accounting Standards Update (ASU) No. 2016-02, Leases and the related amendments for the accounting period beginning on January 1, 2022. This document outlines the lease accounting approach for the new standard and the transition.

DEFINITIONS

- **Lease Term:** The expected time period over which the lessee expects to have control over the leased asset.
- **Short-Term Lease:** A lease that, at commencement date, has a term of 12 months or less, and the lease does not include a renewal option that the lessee is reasonably certain to exercise.
- **Operating Lease:** A lease that has an original term of more than 12 months, including periods from any renewal or extension options that the lessee is reasonably certain to exercise and does not meet the criteria below for a finance lease.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Finance Lease:** A lease that has an original term of more than 12 months, including periods from any renewal or extension options that the lessee is reasonably certain to exercise and meets one of the criteria below for a finance lease:
  - i. Ownership Transfers: Ownership of the underlying asset transfers to the lessee at the end of the lease term.
  - ii. Written Option: Lessee has an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
  - iii. Net Present Value: Net present value of the sum of the lease payments and any residual value guaranteed by the lessee (that is not otherwise included in the lease payments) is a substantial percentage of the value of the underlying asset.
  - iv. Economic Life: Lease term is for a major part of the remaining economic life of the underlying asset.
  - v. Specialized Nature: Underlying asset is specialized enough in nature that it is expected to have no alternative use to the lessor at the end of the lease term.
- **Variable Payments:** Payments made by a lessee to a lessor for the right to use an underlying asset that vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time (CPI increases, percentage rent, etc.).
- **Non-Lease Component Payments:** Payments made by a lessee to a lessor that are not for the right to use the underlying asset (common area maintenance, insurance, etc.).
- **Incremental Borrowing Rate:** The rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

ACCOUNTING TREATMENT

1. Short-Term Leases
   - i. Short-term leases will be expensed on a straight line basis over the lease term, with differences between lease payments and lease expenses being recorded to deferred rent.
2. Operating Leases
   - i. Operating leases will be recorded through a right of use asset and lease liability on the balance sheet. The lease liability will be recorded at a present value with an incremental borrowing rate (or rate implicit in the lease). The lease liability will be reduced as lease payments are made throughout the life of the lease. The right of use asset will be reduced as lease expense is recognized on a straight line basis throughout the life of the lease. The total lease expense will be equal to the total lease component payments made for the lease.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Finance Leases
   i. Finance leases will be recorded through a right of use asset and lease liability on the balance sheet (same as operating leases). The lease liability will be recorded at a present value with an incremental borrowing rate (or rate implicit in the lease). The lease liability will be reduced as lease payments are made throughout the life of the lease. The initial right of use asset value will be amortized over the life of the lease on a straight line basis. Interest expense will also be recognized based on the lease liability and the rate used. The sum of the right of use amortization and the lease expense will equal the total lease component payments made for the lease.
4. Variable Payments
   i. Variable lease payments will be recognized as lease expenses in the period in which they are incurred.

   Non-Lease Component Payments
   ii. Non-lease component payments will be recognized when they're incurred in the appropriate GL account (not lease expense).

TRANSITION CONSIDERATIONS

1. Leases previously classified as capital leases under ASC 840 will be classified as finance leases under ASC 842 (ASC 842-10-65-1f).
2. Leases previously classified as operating leases under ASC 840 will be classified as operating leases under ASC 842 if they have a lease term greater than 12 months (ASC 842-10-65-1f).
3. Horsepower, Inc. will use the modified retrospective approach (ASU 842-10-65-1) under which leases existing at or entered after January 1, 2022, will be recognized and measured. Prior period amounts are not adjusted and continue to be reflected in accordance with the company's historical accounting.
   a. Lease Terms
      i. The remaining lease term of the leases under ASC 840 will be used in measuring the initial lease liability and the right-of-use asset.
   b. Valuation
      i. Operating Leases
         1. Horsepower, Inc. will measure the lease liability based on the remaining lease payments from the transition date.
         2. The right of use asset will equal the lease liability adjusted for the deferred rent balance immediately prior to the adoption date.
      ii. Transfer from Capital Lease to Finance Lease
         1. Capital lease assets and accumulated depreciation on the balance sheet as of December 31, 2021, will be derecognized.
         2. Capital lease debt obligations on the balance sheet as of December 31, 2021, will be derecognized.
         3. The liability and ROU will be measured using the remaining term, contract rate, and discount rate as discussed in the Discount Rate section below.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Discount Rate:
   i. The discount rate used will be based on Horsepower, Inc.'s incremental borrowing rate as of the transition date of December 31, 2021.
   ii. Lessees that are not public business entities may make an accounting policy election to use a risk-free rate, established for a similar period to that of the lease term, as the discount rate. A lessee that elects the accounting policy to use the risk-free rate must apply the policy to all leases.

As a result of the adoption of the new lease accounting guidance, Horsepower, Inc. recognized on January 1, 2022 a lease liability of $244,712, which represents the present value of the remaining operating lease payments of $306,900, discounted using the risk-free rate of 2.037%, and a right-of-use asset of $244,712.

The standard had a material impact on the balance sheets, but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

NOTE 3: LIQUIDITY AND AVAILABILITY

At December 31, 2022, the Organization had $275,668 ($257,985 for 2021) of financial assets available to meet cash needs for general expenditure over the next twelve months. These financial assets, consisting of cash and sales tax refund receivable, are not subject to donor or other contractual restrictions, and they are available for general expenditure during the year.

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is substantially supported by contributions and grants, which are anticipated to continue and be available as its general expenditures and liabilities come due.

NOTE 4: RELATED PARTY TRANSACTIONS

During 2022, the Organization donated accounting and other related services at an estimated cost of $1,399 ($1,547 for 2021) to Horsepower Foundation, Inc.

In April 2020, the Organization entered into a twenty-year cancelable lease agreement with Horsepower Foundation, Inc. for the use its facilities. During 2022, the Organization paid $13,200 ($13,200 for 2021) for rent to Horsepower Foundation, Inc.

NOTE 5: RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization makes no contribution to the plan.

NOTE 6: EXPENSES BY NATURE AND FUNCTION

Effective June 1, 2018, not-for-profit organizations were required to analyze their expenses by nature and function as to operating and administrative expenses. These expenses are allocated by estimated time and effort and other appropriate measures. The following is a summary of Horsepower, Inc.'s expenses:

	2022	2021
Program Services		
Salaries, benefits, and taxes	$ 231,716	$ 160,588
Insurance – General	15,168	13,679
Horse and program expenses	94,884	65,633
Operation and maintenance, depreciation	40,422	35,766
	$ 382,190	$ 275,666
Management and General		
Salaries, benefits, and taxes	$ 38,206	$ 36,969
Operation and maintenance, depreciation	1,800	1,800
Professional Services	7,250	4,540
Administrative Other	2,081	743
	$ 49,337	$ 44,052
Fundraising		
Salaries, benefits, and taxes	$ 29,261	$ 35,606
Miscellaneous	3,472	8,120
	$ 32,733	$ 43,726
Total Expenses	$ 464,260	$ 363,444

NOTE 7: LEASES

Horsepower, Inc. has an operating lease for the use of the facilities, as well as a finance lease for the copier. The terms of the operating lease are for a period of 25 years beginning April 2020 with monthly rent of $1,100. On August 12, 2022, Horsepower, Inc. entered into a financing lease for a copier. As a result, a lease liability of $3,696 was recorded, which represents the present value of the lease payments of $3,870, discounted using the risk-free rate of 3.180%, and a right-of-use asset of $3,696. As of December 31, 2022, assets recorded under finance leases were $3,285, net of amortization.

The components of lease expense were as follows:

Year Ended December 31,	2022	2021
Operating lease cost	$ 13,200	$ 13,200
Finance lease cost		
Amortization of right-of-use assets	$ 411	$ -0-
Interest on lease liabilities	36	-0-
Total finance lease cost	$ 447	$ -0-
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 13,200	$ 13,200
Financing cash flows from finance leases	$ 430	$ -0-

Future minimum lease payments under non-cancellable leases as of December 31, 2022 are as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2023	$ 13,200	$ 1,290
2024	13,200	1,290
2025	13,200	860
2026	13,200	-0-
2027	13,200	-0-
Thereafter	227,700	-0-
Total future minimum lease payments	293,700	3,440
Less present value discount	(57,303)	(137)
Present value of future minimum payments	$ 236,397	$ 3,303

NOTE 8: RECLASSIFICATIONS

Various items on the financial statement for the year 2021 were reclassified to be comparable to 2022. These reclassifications had no effect on the net assets or statement of activities.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 11, 2023, the date of these financial statements, and no additional disclosures are required based upon this evaluation.