COLBY'S CREW RESCUE

FINANCIAL STATEMENTS

DECEMBER 31, 2022

KWC Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Colby's Crew Rescue

We have audited the accompanying financial statements of **Colby's Crew Rescue** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Colby's Crew Rescue** as of December 31, 2022, 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.

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 **Colby's Crew Rescue** 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 **Colby's Crew Rescue**'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 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.

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To the Board of Directors
Colby's Crew Rescue

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 **Colby's Crew Rescue**'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 **Colby's Crew Rescue**'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.

Kositzka, Wicks and Company

Alexandria, Virginia
February 28, 2025

Colby's Crew Rescue, Inc.

Statement of Financial Position
December 31, 2022

Assets		
Current assets		
Cash and cash equivalents	$	132,132
Total current assets		132,132
Property and equipment, net		200,378
Other assets		
Security deposit		8,000
Operating right-of-use asset		232,334
Total other assets		240,334
Total assets	$	572,844
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$	46,055
Operating lease liability, current		48,200
Total current liabilities		94,255
Long-term liabilities		
Operating lease liability, long-term		182,488
Total liabilities		276,743
Net assets		
Without donor restrictions		296,101
Total net assets		296,101
Total liabilities and net assets	$	572,844

See accompanying notes and independent auditor's report.

Colby's Crew Rescue, Inc.

Statement of Activities
for the year ended December 31, 2022

	Without donor restrictions and total
Support and revenue	
Contributions	$ 2,352,486
Adoption fees	110,355
Rental income	6,843
Miscellaneous revenue	4,327
Total support and revenue	2,474,011
Expenses	
Program services	2,037,508
Supporting services	
Management and general	130,100
Fundraising	162,677
Total expenses	2,330,285
Change in net assets	143,726
Net assets, beginning of year	152,375
Net assets, end of year	$ 296,101

See accompanying notes and independent auditor's report.

Colby's Crew Rescue, Inc.

Statement of Functional Expenses
for the year ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Expenses				
Accounting fees	$ -	$ 13,784	$ -	$ 13,784
Advertising	-	-	30,999	30,999
Bank and processing fees	942	103	71,161	72,206
Depreciation	15,031	-	-	15,031
Direct rescue expenses	1,756,733	-	-	1,756,733
Dues and subscriptions	-	612	-	612
Employee benefits	6,938	1,031	-	7,969
Equipment rental	5,211	-	-	5,211
Insurance	-	2,236	-	2,236
Legal fees	-	17,500	-	17,500
Occupancy costs	54,426	6,047	-	60,473
Office expenses	-	29,422	92	29,514
Other contracted services	-	9,527	-	9,527
Payroll taxes	13,072	1,852	4,887	19,811
Repairs and maintnenance	9,732	2,747	-	12,479
Salaries	146,744	20,793	54,858	222,395
Shipping and postage	-	8,786	-	8,786
Travel and meetings	15,053	13,466	-	28,519
Utilities	13,626	2,194	680	16,500
Total expenses by function	$ 2,037,508	$ 130,100	$ 162,677	$ 2,330,285

Colby's Crew Rescue, Inc.

Statement of Cash Flows
for the year ended December 31, 2022

Cash flows from operating activities	
Change in net assets	$ 143,726
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	15,031
Change in operating lease assets and liabilities	(1,646)
Decrease in operating assets	
Prepaid expenses	34,000
Increase in operating liabilities	
Accounts payable and accrued expenses	27,775
Net cash provided by operating activities	218,886
Cash flows from investing activities	
Purchase of property and equipment	(178,694)
Net cash used in investing activities	(178,694)
Net change in cash and cash equivalents	40,192
Cash and cash equivalents, beginning of year	91,940
Cash and cash equivalents, end of year	$ 132,132
Supplemental disclosure of non-cash activity	
Interest paid	$ -
Income taxes paid	$ -

See accompanying notes and independent auditor's report.

1. Organization

Colby's Crew Rescue (the Organization) is a 501(c)(3) nonprofit organization established in 2021 that is solely focused on the good and well-being of the horse. The Organization strives to provide rehabilitation, veterinary care, training, and eventually adoption of horses to forever homes. The Organization’s revenue is predominately generated from contributions and adoption fees.

Program description
The Organization rescues horses with the least and most hope of survival from the slaughter pipeline. The Organization spares horses with the least hope from the cruel and painful death that awaits the horse, during the transport to slaughter, by ensuring a peaceful passing through veterinarian-administered compassionate euthanasia. The Organization saves horses with the most hope to medically treat, physically and psychologically rehabilitate, (re)train, and place in forever homes appropriate for their long-term health and well-being, rideability, and potential. The Organization’s gates are also always open to surrendered, abandoned, neglected, and abused horses. Horses determined inappropriate for adoption find a lifelong haven at Colby's Crew Rescue.

2. Summary of significant accounting policies

Basis of accounting
The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-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. There were no net assets with donor restrictions as of December 31, 2022.

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 revenue and expenses during the reporting period. Actual results could differ from those amounts.

Cash and cash equivalents
For purposes of the statements of cash flows, the Organization considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and equipment
Property and equipment over $2,000 and with an estimated useful life in excess of one year is capitalized at cost or its estimated value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Other financial assets and liabilities
Financial assets with carrying values approximating fair value include cash and cash equivalents. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses. The carrying value of these financial assets approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Support and revenue recognition
Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, 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 substantially met.

The Organization’s adoption fees are based on the horse’s age, breed, overall health and physical condition, among other factors, and are paid at the time of the adoption. The revenue is recognized at the point in time when the horse is transferred to the adopter’s home.

The Organization also subleases a portion of its main lease for its headquarters in return for rental income. The rental income is recorded on a straight-line basis over the life of the lease term.

Advertising costs
The Organization expenses advertising costs as they are incurred. The Organization incurred $30,999 in advertising costs for the year ended December 31, 2022.

Functional classification of expenses
The costs of program and supporting services 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. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis predominately include salaries, payroll taxes, employee benefits and occupancy costs.

Leases
In the ordinary course of business, the Organization enters into a variety of lease arrangements, including operating and financing leases. Effective January 1, 2022, the Organization determines if an arrangement is a lease at inception. The operating lease right-of-use (ROU) assets are included within non-current other assets and lease liabilities are included in current or long-term liabilities on the Organization’s statement of financial position. The Organization had no financing leases as of December 31, 2022. ROU assets represent the Organization’s right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Organization’s obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date.

As most of the Organization's leases do not provide an implicit rate, the risk-free U.S. Treasury rate for the lease term was used based on the information available on the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease term.

Income taxes
The Organization is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income taxes for the year ended December 31, 2022.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are 2021 (year of incorporation) through 2022.

Concentrations of credit risk
The Organization is exposed to concentrations of credit risk through its cash and cash equivalents. Cash held in federally insured institutions may, at times, exceed federally insured limits. FDIC insurance on interest-bearing accounts is $250,000 per depositor, per insured bank. At December 31, 2022, the Organization's cash and cash equivalents did not exceed the FDIC limit. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. Management performs periodic evaluations of the relative credit standing of these institutions.

Recently adopted accounting pronouncements
The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the statement of financial position, the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 was adopted by the Organization on its effective date on January 1, 2022. There was no impact to the Organization's beginning net assets as a result of the adoption because of the election of the practical expedients. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

Impact on transition
At the date of adoption, the Organization applied ASU 2016-02 using the modified retrospective approach under which all leases were valued and recognized in the financial statements as of the beginning of the period of adoption. The lease liabilities were measured at the present value of the remaining lease payments at January 1, 2022, discounted using the risk interest free rate. At January 1, 2022, the Organization recorded an operating right-of-use asset, current operating lease liability and long-term operating lease liability of $278,231, $47,598 and $226,696, respectively, on its statement of financial position, related to its existing operating leases. The adoption of this standard did not have a material impact on the Organization's statement of activities.

The following table summarizes the impact of the transition to ASU 2016-02 on the lease liability:

Operating lease commitments prior to adopting ASU 2016-02	$	-
Operating lease commitments under ASU 2016-02		289,000
Less: Discounted using the risk free interest rate		(14,706)
Total lease liability recognized at beginning of lease	$	274,294

3. Property and equipment

Property and equipment consisted of the following at December 31:

		2022	Useful life
Computers	$	2,532	5 years
Leasehold improvements		8,470	15 years
Machinery and equipment		31,710	7 years
Trailers		87,275	7 years
Vehicles		85,422	7 years
Accumulated depreciation		(15,031)	
	$	200,378	

Depreciation expense for the year ended December 31, 2022 was $15,031.

4. Lease obligations

The Organization leases land and equipment under the terms of cancelable and noncancelable operating leases that expire at various dates through August 2027, some of which include options to extend the lease.

The components of lease expense for the year ended December 31, 2022 is as follows:

Operating lease expense	$	51,353
Short-term lease expense		6,100
Other lease related expenses		3,020
	$	60,473

For the year ended December 31, 2022, the Organization had the following cash and non-cash activities associated with leases:

Cash paid for amount included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	51,000
ROU assets obtained in exchange for new operating lease liabilities	$	278,231

The lease term and discount rates elected by the Organization at December 31, 2022 include:

Weighted-average remaining lease term (in years)	4.67
Weighted-average discount rate	1.37%

At December 31, 2022, the future payments due under operating leases are as follows:

2023	$	51,000
2024		51,000
2025		51,000
2026		51,000
2027		34,000
Total undiscounted cash flows		238,000
Less: present value discount		(7,312)
Total operating lease liabilities	$	230,688

The Organization subleases a portion of its main operating lease for its headquarters to a related entity under common control by a member of the board. The sublease term is the same as the main operating lease. During the year ended December 31, 2022, total sublease income amounted to $6,843 and is recorded as rental income in the statement of activities.

The Organization also leases land from a member of the board of director's immediate family member. Rent expense related to this lease is $500 per month. The lease exists on a year-to-year basis with the right to terminate by either party given written notice. Management has reviewed the requirements of ASC 842 on leases, along with ASU 2023-01, which provides a practical expedient for related party lease arrangements between entities under common control and the related accounting treatment for leasehold improvements. ASU 2023-01 is effective for annual reporting periods beginning after December 15, 2023. The Organization has early adopted ASU 2023-01 for the year ended December 31, 2022 and has not capitalized a right-of-use asset and corresponding lease liability on the statement of financial position for this particular lease.

5. Related party transactions

In addition to the lease agreements with related parties as described in Note 4, the Organization also purchased a vehicle in the amount of $50,000 from a member of the board of director's immediate family member during the year ended December 31, 2022. This purchase was capitalized as part of the property and equipment balance in the statement of financial position.

During the year ended December 31, 2022, hauling and farrier services amounting to $66,699 and $12,310, respectively, were provided from separate related entities under common control by members of the board. No balance remained unpaid at the year end. These expenditures are included in direct rescue expenses in the statement of functional expenses.

6. Contingencies

The Organization is involved in various claims and litigation which arise in the normal course of business. While it is not possible to determine the ultimate outcome of such matters, management does not believe they will have a material adverse effect on the statement of financial position, results of operations, or cash flows of the Organization. As of December 31, 2022, there were no material, probable, or reasonably possible legal claims against the Organization. Subsequently, the Organization is involved with various ongoing legal claims, with no indication of probable outcome at this time. Legal fees to defend the Organization are expected to be material.

7. Liquidity and availability

The following table reflects the Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date as of December 31:

	2022
Cash and cash equivalents	$ 132,132

8. Subsequent events

Management has assessed events occurring subsequent to December 31, 2022 through February 28, 2025, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

In October 2024, the Organization entered into a purchase settlement agreement with an unrelated party to buy a 43-acre farmhouse for $2,450,000. The purchased closed in December 2024. The activity related to the purchase and subsequent capitalization of the property asset will be reflected in the financial statements for the year ended December 31, 2024.

No other events have occurred that would require adjustment to, or disclosure in the financial statements.