

**LITTLE BIT THERAPEUTIC RIDING CENTER**

Financial Statements

For the Years Ended December 31, 2021 and 2020

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of Little Bit Therapeutic Riding Center (Little Bit) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Little Bit Therapeutic Riding Center as December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Little Bit's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Bit's ability to continue as a going concern for a reasonable period of time.

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

*Clark Nuber P.S.*

Certified Public Accountants  
May 25, 2022

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Financial Position  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,413,389	\$ 1,660,754
Grants and pledges receivable, net (Note 3)	53,716	15,424
Prepaid expenses and other current assets	46,515	52,479
<b>Total Current Assets</b>	<b>2,513,620</b>	<b>1,728,657</b>
Grants and pledges receivable for long-term purposes (Note 3)	68,000	
Investments held for long-term purposes (Note 4)	1,050,337	937,815
Property and equipment, net (Note 5)	8,016,931	8,195,590
<b>Total Assets</b>	<b>\$ 11,648,888</b>	<b>\$ 10,862,062</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 131,863	\$ 120,705
Deferred revenue	138,683	139,886
Current portion of notes payable (Note 6)	22,012	20,585
<b>Total Current Liabilities</b>	<b>292,558</b>	<b>281,176</b>
Notes payable, net of current portion (Note 6)	718,409	739,747
<b>Total Liabilities</b>	<b>1,010,967</b>	<b>1,020,923</b>
<b>Net Assets:</b>		
Without donor restriction	8,756,365	8,529,781
With donor restriction (Note 8)	1,881,556	1,311,358
<b>Total Net Assets</b>	<b>10,637,921</b>	<b>9,841,139</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,648,888</b>	<b>\$ 10,862,062</b>

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Contributions	\$ 896,229	\$ 862,480	\$ 1,758,709
Special events, net of expenses	361,270		361,270
Program service fees	877,319		877,319
Rental income	13,138		13,138
Investment return	1,424	131,138	132,562
Other income	12,921		12,921
Gain on debt forgiveness	315,124		315,124
Net assets released from restrictions	423,420	(423,420)	
<b>Total Revenue and Support</b>	<b>2,900,845</b>	<b>570,198</b>	<b>3,471,043</b>
<b>Expenses:</b>			
Program services	2,017,644		2,017,644
Management and general	300,255		300,255
Fundraising	356,362		356,362
<b>Total Expenses</b>	<b>2,674,261</b>		<b>2,674,261</b>
<b>Change in Net Assets</b>	<b>226,584</b>	<b>570,198</b>	<b>796,782</b>
Net assets, beginning of year	8,529,781	1,311,358	9,841,139
<b>Net Assets, End of Year</b>	<b>\$ 8,756,365</b>	<b>\$ 1,881,556</b>	<b>\$ 10,637,921</b>

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Contributions	\$ 786,076	\$ 460,547	\$ 1,246,623
Special events, net of expenses	449,046		449,046
Program service fees	537,331		537,331
Rental income	12,000		12,000
Investment return	(1,182)	140,704	139,522
Other income	8,277		8,277
Gain on debt forgiveness	315,124		315,124
Net assets released from restrictions	493,339	(493,339)	
<b>Total Revenue and Support</b>	<b>2,600,011</b>	<b>107,912</b>	<b>2,707,923</b>
<b>Expenses:</b>			
Program services	1,914,875	9,000	1,923,875
Management and general	302,070		302,070
Fundraising	298,891		298,891
<b>Total Expenses</b>	<b>2,515,836</b>	<b>9,000</b>	<b>2,524,836</b>
<b>Change in Net Assets</b>	<b>84,175</b>	<b>98,912</b>	<b>183,087</b>
Net assets, beginning of year	8,445,606	1,212,446	9,658,052
<b>Net Assets, End of Year</b>	<b>\$ 8,529,781</b>	<b>\$ 1,311,358</b>	<b>\$ 9,841,139</b>

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

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

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

See accompanying notes.



LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 894,919	\$ 172,166	\$ 220,403	\$ 1,287,488
Payroll taxes	157,544	14,989	19,770	192,303
Employee benefits	99,767	15,568	8,208	123,543
<b>Total Payroll Costs</b>	<b>1,152,230</b>	<b>202,723</b>	<b>248,381</b>	<b>1,603,334</b>
Depreciation and amortization	284,465	6,010	12,449	302,924
Barn operations	206,331			206,331
Office expenses	42,077	13,186	19,440	74,703
Bank and credit card fees	47,775	13,420	5,625	66,820
Contract services	4,431	58,241	1,098	63,770
Utilities	56,937	1,858	4,870	63,665
In-kind expenses	42,846	1,852	1,173	45,871
Insurance	31,637	691	1,610	33,938
Special event expenses			33,248	33,248
Repairs and maintenance	20,567	515	1,199	22,281
Truck and equipment	9,633	733	1,547	11,913
Taxes	9,798	813	692	11,303
Travel and training	7,904	206	35	8,145
Seminars, clinics and camps	6,051			6,051
Recognition	1,193	1,822	772	3,787
<b>Total Expenses</b>	<b>1,923,875</b>	<b>302,070</b>	<b>332,139</b>	<b>2,558,084</b>
Less special events expenses			(33,248)	(33,248)
<b>Total Less Special Events Expenses</b>	<b>\$ 1,923,875</b>	<b>\$ 302,070</b>	<b>\$ 298,891</b>	<b>\$ 2,524,836</b>

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from donors for operations	\$ 2,082,336	\$ 1,782,956
Cash received from program fees and other	922,845	565,637
Cash payments to employees	(1,374,769)	(1,237,297)
Cash payments to vendors and others	(1,024,795)	(1,021,073)
Cash paid for interest	<u>(25,414)</u>	<u>(27,213)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>580,203</b>	<b>63,010</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(148,735)	(98,878)
Proceeds from sale of investments	148,105	100,032
Proceeds from sale of property and equipment	13,501	4,012
Purchase of property and equipment	<u>(135,652)</u>	<u>(92,984)</u>
<b>Net Cash Used by Investing Activities</b>	<b>(122,781)</b>	<b>(87,818)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from refinancing of long-term debt		773,334
Settlement of refinanced long-term debt		(768,225)
Proceeds from Paycheck Protection Program loan	315,124	315,124
Payments on long-term debt	<u>(19,911)</u>	<u>(10,500)</u>
<b>Net Cash Provided by Financing Activities</b>	<b>295,213</b>	<b>309,733</b>
<b>Change in Cash and Cash Equivalents</b>	<b>752,635</b>	<b>284,925</b>
Cash and cash equivalents, beginning of year	<u>1,660,754</u>	<u>1,375,829</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 2,413,389</u></b>	<b><u>\$ 1,660,754</u></b>
<b>Noncash Financing Activities:</b>		
Forgiveness of Paycheck Protection Program loan	\$ 315,124	\$ 315,124

See accompanying notes.

## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

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#### Note 1 - Nature of Operations

**General** - Little Bit Therapeutic Riding Center (the Organization or Little Bit) is a Washington nonprofit corporation located in an equine stable setting in rural Redmond, Washington. Little Bit was organized in 1976 for the purpose of providing therapies using equine movement and adaptive riding to children and adults with physical, emotional and/or developmental disabilities. The objective of these programs is to provide the riders and patients with the opportunity to improve their physical health, provide a sense of accomplishment and control, create a positive environment for learning, and to emphasize their capabilities. Little Bit's programs help improve participants' overall health, and positively impact their lives far beyond Little Bit's doors. Therapy and adaptive riding are Little Bit's two main programs:

Therapy - Therapy at Little Bit is an intensive medical treatment during which a licensed physical, occupational, or speech-language therapist works with a patient, incorporating the movement of the horse, or the horse itself, as part of the treatment. The therapist uses the movement of the horse to address the patient's challenges, such as deficits in balance, strength, endurance, coordination, communication, and attention. This therapy does not teach riding skills, rather the goals are geared towards independence for daily activities and increased participation in family, school, and community life. In 2021, Little Bit provided approximately 94 therapy sessions per week, year round.

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

In 2021, 35 specially trained horses provided therapy and adaptive riding to our participants. An average of 156 volunteers per week assisted with therapy sessions, adaptive riding lessons, facilities maintenance, equine care, and administrative and fundraising activities to offset the cost of programs and activities. A total of 504 individuals donated 19,226 hours (unaudited) of their time to Little Bit in 2021. Many of these hours result in dollars matched by employers who reward their employees' involvement in the community. The time that volunteers donate allows Little Bit to put donations and revenues from other sources to the highest purpose possible: offsets to minimize the costs of programs and services to all of its participants.

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

**Impact of COVID-19** - In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. As a result of the spread of COVID-19, and at the government's direction, on March 17, 2020, Little Bit canceled all of its programming through May 5, 2020. As a result, all but essential employees of Little Bit associated with care for our horses began working remotely and eliminated non-essential business travel. In May 2020, after completing significant reorganization of Little Bit's processes and procedures in order to comply with safe operating procedures established by the Centers for Disease Control, the Occupational Safety and Health Administration, and the Washington State Department of Health, Little Bit opened its therapy services as allowed by the state's Safe Start directive. In June 2020, when recreational horseback riding was allowed under the phase approach, Little Bit began to offer adaptive riding sessions for participants who were able to be supported by family members.

## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

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#### Note 1 - Continued

The continued extent of the impact of COVID-19 on Little Bit's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the customers, employees and vendors, all of which are uncertain and cannot be predicted. As of the date of these financial statements were available to be issued, the extent to which COVID-19 may continue to impact Little Bit's financial condition or results of operations is uncertain.

#### Note 2 - Summary of Significant Accounting Policies

**Basis of Presentation** - The financial statements of Little Bit have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Little Bit reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations. The Organization has designated certain net assets for capital projects (Note 7).

Net Assets With Donor Restriction - Net assets with donor restriction include all net assets received by donations under which the donors imposed some restrictions on use. Such restrictions are time and/or purpose dependent and will expire when Little Bit makes use of the net assets for the restricted purpose or through the passage of time. Additionally, endowment restricted net assets must be maintained by Little Bit in perpetuity, the income of which is expendable in accordance with the donor's stated purpose. Endowment net assets increase when Little Bit receives contributions for which donor-imposed restrictions limiting Little Bit's use of an asset for its economic benefits neither expire with the passage of time nor can be removed by Little Bit meeting certain requirements.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of purpose and time restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Revenue Recognition** - Little Bit provides adaptive riding lessons, therapy sessions and camps in exchange for tuition revenue. These sessions and camps are generally purchased by customers in advance upon registration. Tuition revenues are recognized when the performance obligation of providing the session or camp is met on the date of the event. Little Bit also earns revenues from the sales of tickets to its auction and provides the purchaser dinner and entrance to the event. Little Bit recognizes the revenue as the tickets are purchased and considers the cost of the dinner to be exchange revenue while the remaining cost of the ticket is recognized as a contribution. As such, both program fees and special event ticket sales revenue is recognized at the point in time of the date of the event.

Little Bit recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met.

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

## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

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#### Note 2 - Continued

**In-Kind Contributions** - In-kind contributions are recorded at their estimated fair values at the date of donation. Little Bit recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

**Functional Allocation of Expenses** - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Little Bit. Those expenses include personnel, facilities, information technology, and the welcome center and administration building. Personnel cost is allocated based on an estimate of effort spent by each employee towards functional categories, facilities expense is allocated based on square footage, information technology is allocated based on number of computers in each functional area, and the welcome center and administration building costs are allocated based on employee time allocated.

**Cash and Cash Equivalents** - Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less. Cash balances on deposit at banks may exceed federally insured limits at various times during the year.

**Grants and Pledges Receivables** - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts by making an adjustment to a valuation allowance based on its assessment of the current status of each receivable from grants and pledges. The allowance is an estimate based on past experience. It is Little Bit's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance was \$1,000 for the years ended December 31, 2021 and 2020.

**Investments** - Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Securities are held in a custodial investment account administered by a financial institution.

**Property and Equipment** - Property and equipment are stated at cost if purchased or fair value if contributed. Depreciation is provided using the straight-line method over the estimated useful life of 15 to 40 years for buildings, 10 to 15 years for land improvements, 5 to 7 years for furniture and equipment, and 3 years for horses.

**Debt Issuance Costs** - Debt issuance costs are recorded as a deduction to the related debt liability on the statements of financial position. Debt issuance costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

**Income Tax Status** - The Internal Revenue Service has determined that Little Bit is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

**Reclassification** - Certain reclassifications were made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets and change in net assets.

## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

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#### Note 2 - Continued

**Subsequent Events** - Little Bit has evaluated subsequent events through May 25, 2022, the date on which the financial statements were available to be issued.

#### Note 3 - Grants and Pledges Receivable

Grants and pledges receivable at December 31, 2021 and 2020 were \$121,716 and \$15,424, respectively. Amounts are due in less than one year, with the exception of the \$68,000 to fund long-term assets for capital purposes, and as such, no discount on grants and pledges receivable was recognized for the years ended December 31, 2021 and 2020.

Grants and contributions receivable include certain concentrations with individual supporters. As of December 31, 2021 and 2020, 72% and 64%, of Little Bit's outstanding grants and contributions receivable are due from two and three donors, respectively.

#### Note 4 - Investments and Fair Value Measurements

Investments held for long-term purposes include endowment funds. Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 79,264	\$ 62,008
Equities-		
U.S.	571,740	566,957
International	91,185	46,680
Fixed income mutual funds	<u>308,148</u>	<u>262,170</u>
<b>Total Investments</b>	<b><u>\$ 1,050,337</u></b>	<b><u>\$ 937,815</u></b>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 21,208	\$ 18,716
Realized and unrealized gains	111,892	122,747
Investment fees	<u>(538)</u>	<u>(1,941)</u>
<b>Total Investment Return</b>	<b><u>\$ 132,562</u></b>	<b><u>\$ 139,522</u></b>

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

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#### Note 4 - Continued

The framework uses a three-level valuation hierarchy based on observable and nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs. Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable. All of Little Bit's investments are classified as Level 1.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Money Market Funds - Valued at the closing price reported in the active markets in which the securities are traded at fiscal year end.

Equities - Valued at the closing price reported in the active market in which the securities are traded.

Fixed Income Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by Little Bit at year end.

#### Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,320,817	\$ 2,320,817
Land improvements	774,000	724,192
Buildings	7,148,539	7,137,172
Furniture and equipment	471,680	490,234
Horses	100,200	80,700
Construction in progress	15,092	
	<u>10,830,328</u>	<u>10,753,115</u>
Accumulated depreciation	<u>(2,813,397)</u>	<u>(2,557,525)</u>
<b>Total Property and Equipment, Net</b>	<b><u><u>\$ 8,016,931</u></u></b>	<b><u><u>\$ 8,195,590</u></u></b>

As of December 31, 2021 the Organization had remaining commitments for the estimated cost to complete the Hay Barn construction of approximately \$304,000. The commitment will be funded through cash and cash equivalents.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

**Note 6 - Notes Payable**

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

	<u>2021</u>	<u>2020</u>
Note payable to a bank, original amount of \$777,762, interest at 3.31%, monthly principal and interest payments of \$3,883 starting July 1, 2020, through June 1, 2030. The loan is secured by a deed of trust on property.	\$ 746,088	\$ 766,672
Less unamortized debt issuance costs	<u>(5,667)</u>	<u>(6,340)</u>
	740,421	760,332
Less current portion	<u>(22,012)</u>	<u>(20,585)</u>
<b>Total Long-Term Debt, Net of Current Portion</b>	<b><u>\$ 718,409</u></b>	<b><u>\$ 739,747</u></b>

Future maturities of long-term debt are as follows:

For the Year Ending December 31,

2022	\$ 22,012
2023	22,697
2024	23,536
2025	24,338
2026	24,338
Thereafter	<u>629,167</u>
	746,088
Less unamortized loan fees	<u>(5,667)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 740,421</u></b>



## LITTLE BIT THERAPEUTIC RIDING CENTER

### Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

#### Note 7 - Net Assets Without Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Designated by the Board of Directors- Hay Barn capital project	\$ 50,000	\$ -
Undesignated net assets	<u>8,706,365</u>	<u>8,529,781</u>
	<u><u>\$ 8,756,365</u></u>	<u><u>\$ 8,529,781</u></u>

#### Note 8 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Endowment funds (Note 9)	\$ 1,036,617	\$ 925,846
Purpose restricted-		
Therapy and adaptive programs support	197,903	81,873
Rider scholarships	60,243	74,868
Horse sponsorship, purchase and care	231,670	168,304
Paralympics competitions	27,705	27,705
Capital expansion	301,055	20,349
Information technology upgrades		4,259
Activity trail		440
Other program items	21,695	224
Time restricted-		
Operating pledges	<u>4,668</u>	<u>7,490</u>
	<u><u>\$ 1,881,556</u></u>	<u><u>\$ 1,311,358</u></u>

#### Note 9 - Endowment Funds

Little Bit's endowments are restricted by donors to be held in perpetuity, the income from which is expendable to support Little Bit's operations and to fund scholarships.

Little Bit is subject to the Washington State Prudent Management of Institutional Funds Act (PMIFA). The Board of Trustees of Little Bit has interpreted PMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Little Bit has interpreted PMIFA to permit spending from deficient funds in accordance with the prudent measures required under the law.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

**Note 9 - Continued**

Little Bit has adopted an investment policy, approved by the Board of Trustees, that seeks preservation of principal and provides a dependable and reasonable rate of long-term investment return consistent with moderate investment risk. Little Bit's primary goals for its endowment fund are preservation of principal and to maximize income. The spending policy requires income of two to five percent to supplement general funding. The adopted spending rate is based on cash income and net realized gains and losses. In order to attain the stated investment goals, a preservation of capital/income asset allocation will be used for the funds with the following ranges:

Equities	Up to 35 percent
Fixed income	Up to 65 percent
Cash and cash equivalents	Up to 100 percent

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

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

As of December 31, 2020, endowment net assets consisted of the following:

	Endowment Unspent Earnings	Endowment Corpus	Total
Scholarship endowment	\$ 33,197	\$ 60,000	\$ 93,197
General endowment	293,749	538,900	832,649
<b>Total at December 31, 2020</b>	<b>\$ 326,946</b>	<b>\$ 598,900</b>	<b>\$ 925,846</b>

**LITTLE BIT THERAPEUTIC RIDING CENTER**

**Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020**

**Note 9 - Continued**

Changes to endowment net assets for the years ended December 31, 2021 and 2020, were as follows:

	Endowment Unspent Earnings	Endowment Corpus	Total
Endowment net assets, January 1, 2020	\$ 204,397	\$ 598,900	\$ 803,297
Endowment investment return	139,053		139,053
Appropriation of endowment for expenditure	<u>(16,504)</u>		<u>(16,504)</u>
<b>Endowment Net Assets, December 31, 2020</b>	<b>326,946</b>	<b>598,900</b>	<b>925,846</b>
Endowment investment return	131,138		131,138
Appropriation of endowment for expenditure	<u>(20,367)</u>		<u>(20,367)</u>
<b>Endowment Net Assets, December 31, 2021</b>	<b><u>\$ 437,717</u></b>	<b><u>\$ 598,900</u></b>	<b><u>\$ 1,036,617</u></b>

**Note 10 - Liquidity and Availability of Financial Assets**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management has a target of three to six months of an operating reserve consisting of cash and cash equivalents.

Little Bit's financial assets available within one year of the statement of financial position date for general expenditure were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,413,389	\$ 1,660,754
Grants and pledges receivable, net, for short-term purposes	53,716	15,424
Investments	<u>1,050,337</u>	<u>937,815</u>
Total financial assets	3,517,442	2,613,993
Contractual or donor-imposed restrictions-		
Endowment funds	(1,036,617)	(925,846)
Other donor restrictions	<u>(844,939)</u>	<u>(385,512)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 1,635,886</u></b>	<b><u>\$ 1,302,635</u></b>

**LITTLE BIT THERAPEUTIC RIDING CENTER**

**Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020**

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**Note 11 - Paycheck Protection Program Loans**

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses.

On April 15, 2020, Little Bit obtained a loan under the PPP with a principal balance of \$315,124 and an annual interest rate of 1%. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. Little Bit's accounting policy for recognition of revenue from the forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. On December 18, 2020, the full \$315,124 was forgiven and recognized as revenue.

On March 22, 2021, Little Bit obtained a loan under the PPP with a principal balance of \$315,124 and an annual interest rate of 1%. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. Little Bit's accounting policy for recognition of revenue from the forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. On November 17, 2021, the full \$315,124 was forgiven and recognized as revenue.