

Consolidated Financial Statements

Gentle Giants
Draft Horse Rescue Society, Ltd.

Years Ended, December 31, 2021 and 2020

Gentle Giants Draft Horse Rescue Society, Ltd.
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Years Ended, December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gentle Giants Draft Horse Rescue Society, Ltd.
Mount Airy, Maryland

We have audited the accompanying consolidated financial statements of Gentle Giants Draft Horse Rescue Society, Ltd. (a Maryland nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gentle Giants Draft Horse Rescue Society, Ltd. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Gentle Giants Draft Horse Rescue Society, Ltd. 2020 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mathews & Cripe, LLC

July 8, 2022

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statements of Financial Position
December 31, 2021 and 2020

| | <u>ASSETS</u> | |
|---------------------------------|--------------------------|-------------------------|
| | <u>2021</u> | <u>2020</u> |
| CURRENT ASSETS | | |
| Cash | \$ 2,057,169 | \$ 1,820,958 |
| Marketable securities | 945,906 | 50,025 |
| Accounts receivable | 35,440 | 24,815 |
| Employee advances | - | 5,866 |
| Inventory | 45,880 | 22,578 |
| Prepaid expenses | <u>357,410</u> | <u>111,094</u> |
| Total current assets | <u>3,441,805</u> | <u>2,035,336</u> |
| PROPERTY & EQUIPMENT | | |
| Land | 4,580,087 | 4,580,081 |
| Buildings & improvements | 3,766,723 | 3,402,176 |
| Vehicles | 295,995 | 271,636 |
| Equipment | <u>311,949</u> | <u>260,538</u> |
| | 8,954,754 | 8,514,431 |
| Less: accumulated depreciation | <u>(1,106,911)</u> | <u>(851,057)</u> |
| Net property & equipment | <u>7,847,843</u> | <u>7,663,374</u> |
| Other assets | <u>100</u> | <u>100</u> |
| Total assets | <u>\$ 11,289,748</u> | <u>\$ 9,698,810</u> |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statements of Financial Position
December 31, 2021 and 2020

| <u>LIABILITIES AND NET ASSETS</u> | | |
|---|----------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| CURRENT LIABILITIES | | |
| Accounts payable & accrued expenses | \$ 399,822 | \$ 268,507 |
| Line of credit | - | - |
| Current portion of capital leases | - | 11,493 |
| Current portion of long-term debt | <u>207,353</u> | <u>206,000</u> |
| Total Current Liabilities | 607,175 | 486,000 |
| LONG-TERM LIABILITIES | | |
| Capital leases, less current portion | - | 32,763 |
| Long-term debt, less current portion | <u>4,360,791</u> | <u>4,756,283</u> |
| Total Liabilities | <u>4,967,964</u> | <u>5,275,046</u> |
| NET ASSETS | | |
| Without donor restrictions | 6,139,293 | 4,235,256 |
| With donor restrictions | - | - |
| Non-controlling interest in consolidated subsidiary | <u>182,491</u> | <u>188,508</u> |
| Total Net Assets | <u>6,321,785</u> | <u>4,423,765</u> |
| Total Liabilities and Net Assets | <u>\$ 11,289,748</u> | <u>\$ 9,698,810</u> |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statements of Activities & Changes in Net Assets
For the Year Ended, December 31, 2021 with Comparative
Totals for the Year Ended, December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---------------------------------|-------------------------------|----------------------------|---------------------|-----------------------------------|
| | | | 2021 | Summarized Information 2020 |
| PUBLIC SUPPORT | | | | |
| Donations: | | | | |
| Cash | \$ 7,058,243 | \$ - | \$ 7,058,243 | \$ 4,775,278 |
| Bequests | 166,111 | - | 166,111 | 18,021 |
| Sponsorships | 252,014 | - | 252,014 | 157,268 |
| | <u>7,476,368</u> | <u>-</u> | <u>7,476,369</u> | <u>4,950,567</u> |
| REVENUE | | | | |
| Boarding & adoption fees | 337,951 | - | 337,951 | 382,328 |
| Merchandise sales (net) | 27,679 | - | 27,679 | 16,586 |
| PPP loan forgiveness | 186,663 | - | 186,663 | - |
| Interest & misc. | 64,747 | - | 64,747 | 22,361 |
| | <u>617,040</u> | <u>-</u> | <u>617,040</u> | <u>421,275</u> |
| Total support and net revenue | <u>8,093,408</u> | <u>-</u> | <u>8,093,408</u> | <u>5,371,842</u> |
| EXPENSES | | | | |
| Program services | 4,850,403 | - | 4,850,403 | 3,619,615 |
| Support Services | | | | |
| Management | 392,277 | - | 392,277 | 261,983 |
| Fundraising | 952,708 | - | 952,708 | 864,196 |
| Total expenses | <u>6,195,388</u> | <u>-</u> | <u>6,195,388</u> | <u>4,745,794</u> |
| Changes in Net Assets | | | | |
| Before Non-controlling Interest | 1,898,020 | - | 1,898,020 | 626,048 |
| Non-controlling interest of | | | | |
| Subsidiary's (Income) Loss | <u>6,017</u> | <u>-</u> | <u>6,017</u> | <u>(6,449)</u> |
| Change in Net Assets | 1,904,037 | - | 1,904,037 | 619,599 |
| Net assets - beginning of year | <u>4,235,256</u> | <u>-</u> | <u>4,235,256</u> | <u>3,615,657</u> |
| Net assets - end of year | <u>\$ 6,139,293</u> | <u>\$ -</u> | <u>\$ 6,139,293</u> | <u>\$ 4,235,256</u> |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statement of Functional Expenses
For the Year Ended, December 31, 2021 with Comparative
Totals for the Year Ended, December 31, 2020

| | Program Services | | Support Services | | Total | |
|----------------------------------|---------------------|-------------------|-------------------|---------------------|-----------------------------|--|
| | Horse Rescue & Care | Management | Fundraising | 2021 | Summarized Information 2020 | |
| Advertising | \$ - | \$ 9,458 | \$ - | \$ 9,458 | \$ 4,181 | |
| Agency fee | 230,164 | 3,851 | 162,157 | 396,172 | 326,232 | |
| Auto & truck | 34,637 | - | - | 34,637 | 22,641 | |
| Back-end premiums | 35,707 | 597 | 25,156 | 61,460 | 39,169 | |
| Bank & finance charges | - | 17,584 | - | 17,584 | 24,664 | |
| Boarding | - | - | - | - | 2,131 | |
| Computer services | 39,708 | 29,074 | 27,975 | 96,757 | 67,188 | |
| Contract services | 65,456 | - | - | 65,456 | 20,559 | |
| Depreciation | 259,854 | - | - | 259,854 | 167,831 | |
| Donations | - | 82,620 | - | 82,620 | 5,520 | |
| Dues & registration | - | 11,079 | - | 11,079 | 7,204 | |
| Farm & barn supplies | 170,381 | - | - | 170,381 | 163,223 | |
| Farrier | 107,140 | - | - | 107,140 | 103,394 | |
| Feed, grain, hay & supplements | 377,515 | - | - | 377,515 | 290,593 | |
| Fulfillment | 18,919 | 317 | 13,329 | 32,565 | 27,456 | |
| Horse rescue | 73,782 | - | - | 73,782 | 49,067 | |
| Insurance | 63,579 | 37,866 | - | 101,445 | 100,069 | |
| Legal & accounting | - | 18,651 | 4,567 | 23,218 | 43,610 | |
| Mail list management | 52,792 | 883 | 37,193 | 90,868 | 84,660 | |
| Mailhouse laser | 122,208 | 2,045 | 86,099 | 210,352 | 152,713 | |
| Miscellaneous | 50,133 | 431 | 109,038 | 159,602 | 37,745 | |
| Occupancy | 344,888 | 10,179 | - | 355,067 | 321,213 | |
| Office supplies & expense | - | 36,977 | - | 36,977 | 12,554 | |
| Postage & shipping | 425,390 | 6,828 | 287,541 | 719,759 | 585,151 | |
| Printing & production costs | 289,056 | 4,741 | 199,653 | 493,450 | 402,542 | |
| Repairs & maintenance | 218,473 | - | - | 218,473 | 97,871 | |
| Salaries & wages | 1,258,477 | 110,633 | - | 1,369,110 | 1,127,830 | |
| Tack & tack supplies | 5,474 | - | - | 5,474 | 8,882 | |
| Taxes | 104,929 | 8,463 | - | 113,392 | 54,790 | |
| Training | 4,148 | - | - | 4,148 | 16,379 | |
| Travel | 6,525 | - | - | 6,525 | 3,596 | |
| Veterinary care | 358,111 | - | - | 358,111 | 295,194 | |
| Volunteer/staff expense | 40,235 | - | - | 40,235 | 29,710 | |
| Waste disposal | 92,722 | - | - | 92,722 | 50,232 | |
| Total Functional Expenses | \$ 4,850,403 | \$ 392,277 | \$ 952,708 | \$ 6,195,388 | \$ 4,745,794 | |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statements of Cash Flows
For the Years Ended, December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,904,036 | \$ 619,599 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 259,854 | 167,831 |
| (Gain) loss on asset disposal | - | (1,000) |
| (Gain) on PPP loan forgiveness | (186,663) | - |
| Equity income from subsidiary | (6,017) | 6,443 |
| Net Change in: | | |
| Accounts receivable | (9,085) | 3,950 |
| Employee advances | 4,326 | (5,645) |
| Prepaid expenses | (246,316) | (18,668) |
| Inventory | (23,302) | (22,064) |
| Accounts payable and accrued expenses | 131,316 | (6,471) |
| Boarder deposits | - | (15,855) |
| Total adjustments | (75,887) | 108,521 |
| Net Cash Provided (Used) by Operating Activities | 1,828,149 | 728,120 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property & equipment | - | 1,000 |
| Purchase of marketable securities | (895,881) | (20,153) |
| Purchases of property & equipment | (444,320) | (149,975) |
| Net Cash Provided (Used) by Investing Activities | (1,340,201) | (169,128) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on line of credit | - | (153,586) |
| Proceeds from borrowings | - | 1,986,663 |
| Payments on capital leases | - | (20,296) |
| Payments on long-term debt | (251,737) | (1,671,868) |
| Net Cash Provided (Used) by Financing Activities | (251,737) | 140,913 |
| NET INCREASE (DECREASE) IN CASH | 236,211 | 699,905 |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Consolidated Statements of Cash Flows
For the Years Ended, December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|---------------------|
| CASH AT BEGINNING OF YEAR | <u>1,820,958</u> | <u>1,121,053</u> |
| CASH AT END OF YEAR | <u>\$ 2,057,169</u> | <u>\$ 1,820,958</u> |

SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

| | | |
|---|-------------------|--------------------|
| Acquisition of property & equipment | \$ 444,320 | \$ 2,029,975 |
| Less: loans used to acquire property & equipment | <u>-</u> | <u>(1,880,000)</u> |
| Cash Used for Acquisition of Property & Equipment | <u>\$ 444,320</u> | <u>\$ 149,975</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | |
|--------------------------------|-------------------|-------------------|
| Cash Paid During the Year for: | | |
| Interest | <u>\$ 171,251</u> | <u>\$ 132,812</u> |

See independent auditor's report and notes to the consolidated financial statements.

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

Gentle Giants Draft Horse Rescue Society, Ltd. (the Organization) is a Maryland-based non-profit organization, founded in 2005, and is dedicated to the rescue, shelter, feeding, training and rehabilitation of horses that are homeless, abandoned by their owners, at risk of needless slaughter, or are victim of inhumane care and abuse. Horses that are rescued from slaughter or that can be rehabilitated are found new, permanent adoptive homes. The Organization's main support is from donations from the general public and direct-mail donor contributions.

In 2017, the Organization received as a gift, 182 shares of Southdown Community, Inc., (the Corporation) a Virginia-based S-corporation that operates horse stables. In 2019, the Organization purchased 78 shares from the Corporation's shareholders. These transactions resulted in the Organization owning 76.9%% of the outstanding shares of the Corporation. The assets, liabilities, and income and expense items of the Corporation have been consolidated in these financial statements, as required by generally accepted accounting principles.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of the Organization and its majority-owned subsidiary, Southdown Community, Inc., and are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*. All significant intercompany accounts, transactions, and profits have been eliminated in consolidation.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended, December 31, 2019, from which summarized information was derived.

CONTRIBUTIONS

Contributions received are recorded as with, or without donor restrictions depending on the nature and existence of donor restrictions.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of the allowance for doubtful accounts of \$-0- at December 31, 2021 and 2020. Management's periodic evaluation of the adequacy of the allowance is based on the Corporation's past loss experience. Accounts receivable are charged off when they are 180 days past due.

INVENTORY

Inventory consists of donor gifts and is carried at cost using the first-in, first-out method (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are capitalized when the total purchase price exceeds \$500 and are carried at cost, less accumulated depreciation. Depreciation is provided using the straight-line method based upon the estimated useful lives of the asset. Furniture, fixtures, equipment and vehicles are depreciated over 5-7 years. Buildings and leasehold improvements are depreciated using the straight-line method over 39 years.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's forms 990, *Return of Organization Exempt from Income Tax*, for the years 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

COSTS OF JOINT ACTIVITIES

FASB ASC 958-720-50-2, "*Accounting for Costs of Activities That Include Fund Raising*", establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or general and administrative). The pronouncement requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the years ended, December 31, 2021 and 2020, was \$9,458 and \$4,181, respectively.

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES

Vacation, personal, and sick pay are considered expenditures in the year paid, and do not carry over from year to year. Therefore, there are no accrued liabilities for compensated absences.

MARKETABLE SECURITIES

The Organization classifies its securities as available for sale and they are carried at fair value. Fair values are generally based upon quoted market prices. Gains and losses are included in earnings.

B. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

| | <u>2021</u> |
|---|---------------------|
| Financial assets at year-end | <u>\$ 2,057,169</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,057,169</u> |

C. CONTINGENCY

The Organization maintains cash balances at various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor per insured financial institution. Amounts in excess of insured limits at December 31, 2021, was \$1,140,623. Management believes the Organization is not subject to any significant credit risk on cash and cash equivalents.

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

D. ALLOCATION OF JOINT ACTIVITIES

During the year ended, December 31, 2021, the Organization incurred joint costs of approximately \$2,332,209, for officer and administrative salaries, legal fees, printing, postage and related costs primarily related to fundraising appeals. Pursuant to FASB ASC 958-720-50-2, these costs were allocated to the functional areas as follows:

| | <u>2021</u> |
|------------------|---------------------|
| Program Services | \$ 1,330,893 |
| Fund Raising | 861,756 |
| Management | <u>139,560</u> |
| | <u>\$ 2,332,209</u> |

E. CONCENTRATIONS

Approximately 53% of the Organization's revenue is derived from the fundraising efforts of a professional fundraising company. In the event the professional fundraiser no longer performed services for the Organization, the current level of the Organization's operations and services would be negatively impacted. At December 31, 2021, there is no provision in the financial statements for such an event as a reasonable estimate cannot be made and no losses are anticipated.

F. NON-CONTROLLING INTEREST IN S-CORPORATION

The Organization has reflected a non-controlling interest for the portion of the Organization's assets, liabilities, revenue, and expenses not controlled by the Organization, separately in the consolidated statement of financial position and the consolidated statement of activities and changes in net assets. Below is a reconciliation of the change in net assets:

| | <u>Controlling</u> | <u>Non- Controlling</u> |
|------------------------------------|---------------------|-----------------------------|
| Net assets as of January 1, 2021 | \$ 4,235,256 | \$ 188,508 |
| Change in net assets | <u>1,904,037</u> | <u>(6,017)</u> |
| Net assets as of December 31, 2021 | <u>\$ 6,139,293</u> | <u>\$ 182,491</u> |

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

G. CAPITAL LEASES

The Organization entered into a capital lease agreement for the purchase of a loader. The lease began in 2016 and requires 60 equal monthly payments of \$961. Upon termination, ownership transfers to the Organization with a \$1 payment. The loader is being depreciated over five years using the straight-line method. Total accumulated depreciation related to the loader was \$41,531 at December 31, 2021. The lease was paid in full during 2021.

The Organization entered into a capital lease agreement for the purchase of a truck. The lease began in 2019 and requires 84 equal monthly payments of \$788. Upon termination, ownership transfers to the Organization with a \$1 payment. The truck is being depreciated over five years using the straight-line method. Total accumulated depreciation related to the truck was \$32,612 at December 31, 2021. The lease was paid in full during 2021.

Future minimum lease payments required under these leases are as follows:

| | | |
|---|----|-------------|
| 2022 | \$ | - |
| 2023 | | - |
| 2024 | | - |
| 2025 | | - |
| 2026 and thereafter | | - |
| | | <hr/> |
| | | - |
| Less amount representing interest | | - |
| | | <hr/> |
| Present value of minimum lease payments | | - |
| Less: current portion | | - |
| | | <hr/> |
| | \$ | <hr/> <hr/> |

H. LINE OF CREDIT

The Corporation has a \$150,000 bank line of credit available for general operating purposes. The line is payable upon demand with interest payable at 1% over prime (4.25% at December 31, 2021). There are no significant restrictive provisions in the agreement. The balance was \$-0- and \$-0- at December 31, 2021 and 2020, respectively. The line matures February 20, 2022.

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

I. MARKETABLE SECURITIES

At December 31, 2021 and 2020, marketable securities consist of:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|------------------|
| Corporate stocks, at cost | \$ 944,827 | \$ 48,388 |
| Unrealized gains | 25,110 | 1,637 |
| Unrealized losses | <u>(24,031)</u> | <u>-</u> |
| Total marketable securities at fair value | <u>\$ 945,906</u> | <u>\$ 50,025</u> |

J. FAIR VALUE MEASUREMENTS

Accounting standards define fair value as an exit price, establish a framework for measuring fair value within generally accepted accounting principles and expand disclosures about fair value measurements.

Fair value is an exit price, which represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering such assumptions, there is a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs: observable inputs including Level 1 prices that have been adjusted for differences in local markets; quoted prices for similar assets and liabilities; and other inputs corroborated by observable market data.
- Level 3 inputs: unobservable inputs (e.g., a company's own data)

The following table presents the Organization's assets measured at fair value on a recurring basis at December 31, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------|-------------------|----------------|----------------|
| Marketable securities | <u>\$ 945,906</u> | <u>\$ -</u> | <u>\$ -</u> |

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

K. LONG-TERM DEBT

Long-term debt consists of the following:

| | <u>2021</u> | <u>2020</u> |
|---|--------------|--------------|
| Note payable to Fulton Bank in \$7,797 monthly installments including interest at 4.60%; secured by real property; matures March 2037 | \$ 1,041,554 | \$ 1,088,441 |
| Note payable to Fulton Bank in \$3,047 monthly installments including interest at 4.01%; secured by real property; matures February 2030 | 270,950 | 295,940 |
| Note payable to Fulton Bank in \$6,481 monthly installments including interest at 2.75%; secured by real property; matures September 2047 | 1,404,636 | 1,474,020 |
| Note payable to Schnider in \$1,910 monthly installments including interest at 4.00%; secured by real property; matures September 2050 | 391,155 | 398,265 |
| Note payable to Fulton Bank in \$9,816 monthly installments including interest at 2.75%; secured by real property; matures May 2036 | 1,434,799 | 1,487,382 |
| Payroll Protection Program note payable to Fulton Bank including interest at 1.00%; unsecured; forgiven in 2021 | - | 186,663 |
| Note payable to AGCO Finance in \$566 monthly installments including imputed interest at 3.00%; secured by equipment; matures November 2025 | 25,050 | 30,988 |

Gentle Giants Draft Horse Rescue Society, Ltd.
Notes to Consolidated Financial Statements
For the Years ended, December 31, 2021 and 2020

K. LONG-TERM DEBT (continued)

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Note payable to Sheffield Financial in \$100 monthly installments including interest at 0%; secured by equipment; matures June 2021 | - | 584 |
| | <u>4,568,144</u> | <u>4,962,283</u> |
| Less: current portion | <u>207,353</u> | <u>206,000</u> |
| | <u>\$ 4,360,791</u> | <u>\$ 4,756,283</u> |

At December 31, 2021, the five-year maturities are as follows:

| | |
|---------------------|---------------------|
| 2022 | \$ 207,353 |
| 2023 | 208,664 |
| 2024 | 210,017 |
| 2025 | 210,846 |
| 2026 and thereafter | <u>3,731,264</u> |
| | <u>\$ 4,568,144</u> |

L. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 8, 2022, the date which the financial statements were available to be issued.