

**HORSEPOWER SANCTUARIES, INC.  
dba REDWINGS HORSE SANCTUARY**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended May 31, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Horsepower Sanctuaries, Inc.  
dba Redwings Horse Sanctuary

We have audited the accompanying financial statements of Horsepower Sanctuaries, Inc. dba Redwings Horse Sanctuary (a nonprofit organization), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Horsepower Sanctuaries, Inc. dba Redwings Horse Sanctuary as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Williams Adams & Company, CPAs*

**WILLIAMS ADAMS & COMPANY, CPAs**

January 28, 2020  
Bakersfield, CA

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**May 31, 2019 and 2018**

	2019	2018
<b>CURRENT ASSETS</b>		
Cash	\$ 737,690	\$ 1,758,102
Cash in escrow	28,674	31,772
Donations receivable	-	460,841
Certificates of deposit	1,510,618	-
Investments	1,517,753	1,451,813
Inventory	844	984
Prepaid expenses	350	753
<b>TOTAL CURRENT ASSETS</b>	3,795,929	3,704,265
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Land	1,105,346	1,105,346
Land improvements	220,003	220,003
Vehicles	122,493	84,011
Leasehold improvements	63,461	63,461
Barns	56,668	56,668
Machinery and equipment	41,621	41,621
Office furniture and equipment	8,030	10,088
	1,617,622	1,581,198
Less accumulated depreciation	398,776	372,019
<b>TOTAL PROPERTY AND EQUIPMENT, net</b>	1,218,846	1,209,179
<b>OTHER ASSETS</b>		
Construction in progress	259,395	172,693
Beneficial interest in charitable trust held by others	259,406	267,980
<b>TOTAL OTHER ASSETS</b>	518,801	440,673
<b>TOTAL ASSETS</b>	\$ 5,533,576	\$ 5,354,117

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 112,400	\$ 54,708
Accrued expenses	8,383	15,020
Accrued payroll	10,413	13,665
Retirement contribution payable	<u>6,800</u>	<u>7,200</u>
TOTAL CURRENT LIABILITIES	137,996	90,593
TOTAL LIABILITIES	<u>137,996</u>	<u>90,593</u>
NET ASSETS		
Without donor restrictions	5,345,580	5,263,524
With donor restrictions	<u>50,000</u>	<u>-</u>
TOTAL NET ASSETS	<u>5,395,580</u>	<u>5,263,524</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,533,576</u>	<u>\$ 5,354,117</u>

See accompanying notes and Independent Auditor's Report

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended May 31, 2019 and 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Year Ended May 31, 2019</b>			
REVENUE			
Program revenue			
Donations	\$ 1,280,191	-	\$ 1,280,191
Grants	52,550	50,000	102,550
Sponsorships	8,117	-	8,117
In-kind donations	8,532	-	8,532
Special events, net	3,598	-	3,598
Total program revenue	1,352,988	50,000	1,402,988
Other revenue			
Interest and dividends	91,038	-	91,038
Unrealized (loss) on investments	(24,632)	-	(24,632)
Gain (loss) on disposal of assets	587	-	587
Miscellaneous income	10,316	-	10,316
Total other revenue	77,309	-	77,309
<b>TOTAL REVENUE</b>	1,430,297	50,000	1,480,297
EXPENSES			
Program expenses	517,214	-	517,214
Management and general expenses	314,157	-	314,157
Fundraising expenses	516,870	-	516,870
<b>TOTAL EXPENSES</b>	1,348,241	-	1,348,241
<b>TOTAL INCREASE IN NET ASSETS</b>	82,056	50,000	132,056
<b>NET ASSETS, BEGINNING OF YEAR</b>	5,263,524	-	5,263,524
<b>NET ASSETS, END OF YEAR</b>	\$ 5,345,580	\$ 50,000	\$ 5,395,580

See accompanying notes and Independent Auditor's Report

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended May 31, 2019 and 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Year Ended May 31, 2018</b>			
<b>REVENUE</b>			
Program revenue			
Donations	\$ 2,470,313	-	\$ 2,470,313
Grants	42,045	-	42,045
Sponsorships	3,105	-	3,105
In-kind donations	2,680	-	2,680
Special events, net	3,529	-	3,529
Total program revenue	2,521,672	-	2,521,672
Other revenue			
Interest and dividends	17,928	-	17,928
Unrealized (loss) on investments	(33,974)	-	(33,974)
Gain (loss) on disposal of assets	(172)	-	(172)
Miscellaneous income	7,044	-	7,044
Total other revenue	(9,174)	-	(9,174)
<b>TOTAL REVENUE</b>	2,512,498	-	2,512,498
<b>EXPENSES</b>			
Program expenses	442,846	-	442,846
Management and general expenses	262,315	-	262,315
Fundraising expenses	497,087	-	497,087
<b>TOTAL EXPENSES</b>	1,202,248	-	1,202,248
<b>TOTAL INCREASE IN NET ASSETS</b>	1,310,250	-	1,310,250
<b>NET ASSETS, BEGINNING OF YEAR</b>	3,953,274	-	3,953,274
<b>NET ASSETS, END OF YEAR</b>	\$ 5,263,524	\$ -	\$ 5,263,524

See accompanying notes and Independent Auditor's Report



**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**May 31, 2019 and 2018**

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
<b>May 31, 2019</b>				
Salaries and wages	\$ 244,745	\$ 83,394	\$ 40,283	\$ 368,422
Rescued equine care	169,060	-	-	169,060
Printing	-	-	160,812	160,812
Professional services	-	50,177	104,766	154,943
Postage and bulk mail	-	1,608	147,645	149,253
Workers' compensation insurance	-	46,753	-	46,753
Payroll taxes	-	38,370	-	38,370
Public relations and marketing	13,949	-	22,073	36,022
Computer expenses	575	5,243	27,947	33,765
Rent	30,000	-	-	30,000
Depreciation expense	29,902	-	-	29,902
Fuel and mileage expense	8,265	13,637	-	21,902
Insurance	-	19,146	-	19,146
Repairs and maintenance	15,982	348	-	16,330
Advertising	2,264	-	13,132	15,396
Utilities	-	9,952	-	9,952
Office supplies and expenses	-	9,337	212	9,549
Retirement contribution	-	9,200	-	9,200
Telephone expense	-	7,319	-	7,319
Waste disposal	-	7,204	-	7,204
Taxes and licenses	-	5,851	-	5,851
Dues and subscriptions	315	4,257	-	4,572
Bank charges	-	2,361	-	2,361
Ranch supplies	2,157	-	-	2,157
<b>TOTAL EXPENSES</b>	<b>\$ 517,214</b>	<b>\$ 314,157</b>	<b>\$ 516,870</b>	<b>\$ 1,348,241</b>

See accompanying notes and Independent Auditor's Report

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**May 31, 2019 and 2018**

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
<b>May 31, 2018</b>				
Salaries and wages	\$ 196,684	\$ 71,082	\$ 35,525	\$ 303,291
Rescued equine care	141,905	-	-	141,905
Printing	-	-	153,319	153,319
Professional services	-	35,009	101,335	136,344
Postage and bulk mail	-	1,726	142,248	143,974
Workers' compensation insurance	-	21,707	-	21,707
Payroll taxes	-	31,404	-	31,404
Public relations and marketing	7,505	-	21,296	28,801
Computer expenses	48	6,311	27,418	33,777
Rent	30,000	-	-	30,000
Depreciation expense	24,702	-	-	24,702
Fuel and mileage expense	8,067	14,676	-	22,743
Insurance	-	31,889	-	31,889
Repairs and maintenance	24,183	883	-	25,066
Advertising	3,236	-	13,567	16,803
Utilities	-	9,208	-	9,208
Office supplies and expenses	-	6,506	2,379	8,885
Retirement contribution	-	10,000	-	10,000
Telephone expense	-	4,711	-	4,711
Waste disposal	-	6,223	-	6,223
Taxes and licenses	-	6,794	-	6,794
Dues and subscriptions	-	1,430	-	1,430
Bank charges	-	2,756	-	2,756
Ranch supplies	6,516	-	-	6,516
<b>TOTAL EXPENSES</b>	<b>\$ 442,846</b>	<b>\$ 262,315</b>	<b>\$ 497,087</b>	<b>\$ 1,202,248</b>

See accompanying notes and Independent Auditor's Report

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended May 31, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 132,056	\$ 1,310,250
Adjustments to reconcile net assets to net cash provided by operating activities:		
Donations of property and equipment – noncash	-	(1,600)
Depreciation expense	29,902	24,702
Unrealized loss on investments	9,937	28,931
(Gain) loss on disposal of assets	(587)	172
(Increase) decrease in:		
Cash in escrow	3,098	(7,752)
Donations receivable	460,841	(385,543)
Inventory	140	(162)
Prepaid expenses	403	(351)
Construction in progress	(86,702)	(25,247)
Increase (decrease) in:		
Accounts payable	57,692	16,738
Accrued expenses	(6,637)	10,566
Accrued payroll	(3,252)	2,843
Retirement contribution payable	(400)	7,200
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>596,491</b>	<b>980,747</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(1,505,002)	-
Purchase of investments	(71,918)	(935,200)
Purchase of property and equipment	(39,983)	(36,396)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(1,616,903)</b>	<b>(971,596)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,020,412)</b>	<b>9,151</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,758,102</b>	<b>1,748,951</b>
<b>CASH, END OF YEAR</b>	<b>\$ 737,690</b>	<b>\$ 1,758,102</b>

See accompanying notes and Independent Auditor's Report

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Horsepower Sanctuaries, Inc. dba Redwings Horse Sanctuary (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of Organization**

The entity is a not-for-profit organization whose mission is to rescue equines (horses, ponies, donkeys, mules, and burros) from abuse and neglect. The Organization achieves its goals through education of the public, foster care, and providing a permanent sanctuary. The Organization operates a facility on 160 acres located in Lockwood, CA. In 2016, the Organization purchased land in Paso Robles, CA and is in the process of preparing the property to relocate all sanctuary operations.

**Accounting Method**

The financial statements are prepared on the accrual basis of accounting.

**Financial Statement Presentation**

The Organization follows the Not-For-Profit Entities topic of the FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Organization has implemented *FASB Update 2016-14*. The FASB Update requires that not-for-profits: present two classes of net assets reported as net assets without donor restrictions and net assets with donor restrictions, disclose amounts and purposes of board designated amounts, provide qualitative and quantitative information on liquidity including resources available to meet cash needs for general expenditures within one year, present expenses broken out by their natural and functional classifications, disclose the methods used to allocate costs among program and support functions, and report investment return net of investment expenses. The Organization has applied the change in accounting principal retrospectively.

**Cash and Cash Equivalents**

The Organization holds cash in an escrow account per an agreement with a third-party direct mail company.

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

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donations Receivable**

Donations receivable represent donations that have been designated to the Organization through trusts and/or wills but not received by year end.

**Inventory**

Inventory is stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is determined using estimated selling prices in the ordinary course of business, less any reasonably predictable costs of disposal.

**Property and Equipment**

Property and equipment purchased are carried at cost. Donated property and equipment are recorded at fair value at the date of donation. Depreciation of property and equipment is computed using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to expense as incurred.

Rates for depreciation are based on the following estimated useful lives:

	<u>Years</u>
Land improvements	5 - 15
Vehicles	5 - 10
Leasehold improvements	5 - 10
Barns	10
Machinery and equipment	5 - 10
Office furniture and equipment	5 - 7

**Contributions**

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-imposed restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Donated Property, Materials, and Services**

Donated land, property, materials, equipment, and use of facilities are recorded at fair value at the date of donation.

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A substantial number of volunteers donate significant amounts of time to the Organization's programs and fundraising efforts held throughout the year. The Board of Directors also volunteer their time spent at quarterly board meetings. However, there is no objective basis for measuring the value of volunteer hours provided during the year. As such, the financial statements do not include a provision to recognize the value of services provided by volunteers.

**Functional Allocation of Expenses**

The Organization's program, administrative, and fundraising expenses are reported on a functional basis. Expenses incurred for the Organization's programs are charged directly to the applicable program if able to be identified. Program expenses not directly chargeable to a program are allocated on the basis of time records and utilization estimates made by Management. Administrative expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Expenses incurred for the Organization's fundraising are charged directly to fundraising expense.

**Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income tax.

*FASB Interpretation No. 48* requires management to evaluate the uncertainty of tax positions taken and the likelihood that those positions would be upheld upon examination. Although management believes it does not maintain any uncertain tax positions, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after May 31, 2016 and by the California Franchise Tax Board for fiscal years ending on or after May 31, 2015.

It is the policy of the Company to consistently classify interest and penalties associated with income tax expense separately from the provision for income taxes.

**Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Credit Risk**

The Organization maintains its cash in bank deposit accounts at high credit quality institutions. The balances, at times, may exceed federally insured limits.

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts recorded on the statements of financial position.

**Fair Value Measurements**

The Organization holds investments that consist of mutual funds, equities, and a real estate investment trust (REIT). All investments are initially recorded at acquisition cost if purchased or at fair value if donated.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under *FASB ASC 820 Fair Value Measurements* are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2:* Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual Funds:* Valued at the closing price reported on the active market on which the individual securities are traded using Level 1 inputs.

*Equities (Beneficial Interest in Charitable Remainder Trust):* Valued at the closing price reported on the active market on which the individual securities are traded using Level 1 inputs.

*REIT:* Valued using inputs derived by observable market data.

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by the donor or law.

**Concentrations**

The Organization's operations are concentrated in the California Central Coast and surrounding areas and are subject to fluctuations in the local economy.

**Advertising Expense**

Advertising costs are for non-direct response advertising only and are expensed as incurred.

**NOTE B — LIQUIDITY**

The following reflects the Organization's financial assets available for general use within one year of the balance sheet date.

The financial assets at year-end consist of the following:

	<u>2019</u>
Cash	\$ 737,690
Cash in escrow	28,674
Certificates of deposit	1,510,618
Investments	<u>1,517,753</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,794,735</u>

The Organization is substantially supported by donations received from the general public. The Organization also applies for grants to supplement donations received. The grants are generally restricted to program expenses of a certain nature. Due to the nature of the Organization's programs, the restrictions on grants are typically met within one year of receiving the grants. 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. The Organization invests excess cash in short-term investments. The Board's intention is to utilize the funds held in investments to complete the new facility in Paso Robles, but the funds are available for general expenditures. The anticipated completion date of the new facility is in the fall of 2020.

**NOTE C — INVENTORY**

Inventory consists of merchandise utilized by the Organization's third-party direct mail campaign. The amounts on hand at May 31, 2019 and 2018 were \$844 and \$984, respectively.



**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

**NOTE D — CERTIFICATES OF DEPOSIT**

The Organization has certificates of deposit, which mature more than three months after the year end. These certificates have been shown separately on the statements of financial position. For the statements of cash flows, they are not considered to be cash and cash equivalents.

**NOTE E — INVESTMENTS**

Investments were held as follows:

	2019	2018
Investments measured at fair value:		
Mutual funds	\$ 1,494,683	\$ 1,428,743
Equities (beneficial interest in charitable remainder trust)	259,406	267,980
REIT	23,070	23,070
	\$ 1,777,159	\$ 1,719,793

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of May 31, 2019 and 2018:

Assets at Fair Value as of May 31, 2019:

	Level 1	Level 2	Total
Investments:			
Mutual funds	\$ 1,494,683	\$ -	\$ 1,494,683
Equities (beneficial interest in charitable remainder trust)	259,406	-	259,406
REIT	-	23,070	23,070
Total	\$ 1,754,089	\$ 23,070	\$ 1,777,159

Assets at Fair Value as of May 31, 2018:

	Level 1	Level 2	Total
Investments:			
Mutual funds	\$ 1,428,743	\$ -	\$ 1,428,743
Equities (beneficial interest in charitable remainder trust)	267,980	-	267,980
REIT	-	23,070	23,070
Total	\$ 1,696,723	\$ 23,070	\$ 1,719,793

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE F — NET ASSETS WITH DONOR RESTRICTIONS**

The Organization receives grants that are restricted to program expenses of a certain nature. The grants with donor restrictions received by the Organization are restricted to costs incurred for caring for either Thoroughbred horses or senior-aged horses. The amounts at May 31, 2019 and 2018 with donor restrictions remaining were \$50,000 and \$0.

**NOTE G — DIRECT MAIL CAMPAIGN**

The Organization utilizes the services of a third-party company to solicit donations from the public using a direct mailing technique. Letters are composed by the third-party company and then distributed to individuals on purchased mailing lists. The contributions received have been recorded as donations in the statements of activities and the costs incurred have been recorded as fundraising expenses in the statements of functional expenses.

The income and expense attributable to the direct mail campaign for the years ended May 31, 2019 and 2018 consist of the following:

	2019	2018
Contributions and list royalty income	\$ 633,113	\$ 657,827
Direct mail campaign expenses	453,726	437,842
Net contributions received	\$ 179,387	\$ 219,985

**NOTE H — OPERATING LEASE**

The Organization leases a ranch facility from an honorary board member in Lockwood, CA. The ranch facility is rented under an operating lease which expires on September 30, 2020. In 2019 and 2018, rent expense was \$30,000 and \$30,000, respectively.

Future minimum lease payments under operating leases at May 31, 2019 were as follows:

Year Ended May 31,	
2020	\$ 30,000
2021	10,000
	\$ 40,000

**HORSEPOWER SANCTUARIES, INC.**  
**dba REDWINGS HORSE SANCTUARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended May 31, 2019 and 2018**

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**NOTE I — RETIREMENT CONTRIBUTIONS**

The Organization makes retirement contributions for employees who meet certain eligibility requirements. Per the agreements, employees may also make elective contributions up to the maximum amount allowed by the Internal Revenue Code. The contribution made by the Organization was \$9,200 for the year ended May 31, 2019 and \$10,000 for the year ended May 31, 2018.

**NOTE J — CONCENTRATIONS**

Donations from two donors accounted for 100% of donations receivable at May 31, 2018.

In 2019, approximately 29% of the Organization's total donations was received from one donor. In 2018, approximately 49% of the Organization's total donations was received from two donors.

**NOTE K — RECLASSIFICATIONS**

Certain 2018 amounts have been reclassified to conform to 2019 classifications. Such reclassifications had no effect on reported net assets.

**NOTE L — CONTINGENCIES**

At May 31, 2019, the Organization was involved in pending litigation alleging wrongful termination, disability discrimination and harassment, and failure to engage in the interactive process. An accrual for a loss contingency has not been included in the financial statements. As of the date the financial statements were available to be issued, the Organization and its legal counsel are unable to determine the potential effect on the financial statements.

**NOTE M — SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 28, 2020, the date which the financial statements were available to be issued.