

LITTLE BIT THERAPEUTIC RIDING CENTER

Financial Statements

For the Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Little Bit Therapeutic Riding Center (Little Bit) which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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 from 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 accounting 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Bit as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, Little Bit adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Clark Nuber P.S.

Certified Public Accountants
May 29, 2019

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,299,982	\$ 860,438
Grants and pledges receivable (Note 3)	114,399	153,265
Prepaid expenses and other current assets	23,392	31,683
Property held for sale (Note 6)		264,000
Total Current Assets	1,437,773	1,309,386
Grants and pledges receivable, net of current portion (Note 3)	28,846	104,660
Investments held for long-term purposes (Note 4)	697,451	740,287
Property and equipment, net (Note 5)	8,670,923	8,566,898
Total Assets	\$ 10,834,993	\$ 10,721,231
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 138,342	\$ 90,571
Deferred revenue	135,749	169,056
Current portion of notes payable (Note 7)	19,876	360,303
Total Current Liabilities	293,967	619,930
Notes payable, net of current portion (Note 7)	764,521	793,778
Total Liabilities	1,058,488	1,413,708
Net Assets:		
Without donor restriction	8,502,864	8,067,433
With donor restriction (Note 8)	1,273,641	1,240,090
Total Net Assets	9,776,505	9,307,523
Total Liabilities and Net Assets	\$ 10,834,993	\$ 10,721,231

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 877,879	\$ 768,631	\$ 1,646,510
Special events, net of expenses	370,337		370,337
Program service fees	852,388		852,388
Rental income	25,800		25,800
Investment return	1,512	(24,191)	(22,679)
Other income	112,502		112,502
Net assets released from restrictions	710,889	(710,889)	
Total Revenue and Support	2,951,307	33,551	2,984,858
Expenses:			
Program services	1,877,334		1,877,334
Management and general	293,287		293,287
Fundraising	345,255		345,255
Total Expenses	2,515,876		2,515,876
Change in Net Assets	435,431	33,551	468,982
Net assets, beginning of year	8,067,433	1,240,090	9,307,523
Net Assets, End of Year	\$ 8,502,864	\$ 1,273,641	\$ 9,776,505

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 691,491	\$ 549,225	\$ 1,240,716
Special events, net of expenses	339,281		339,281
Program service fees	741,769		741,769
Rental income	24,638		24,638
Investment return	440	99,058	99,498
Other income	15,494		15,494
Net assets released from restrictions	336,253	(336,253)	
Total Revenue and Support	2,149,366	312,030	2,461,396
Expenses:			
Program services	1,649,174		1,649,174
Management and general	332,799		332,799
Fundraising	299,832		299,832
Total Expenses	2,281,805		2,281,805
Change in Net Assets	(132,439)	312,030	179,591
Net assets, beginning of year	8,199,872	928,060	9,127,932
Net Assets, End of Year	\$ 8,067,433	\$ 1,240,090	\$ 9,307,523

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 862,933	\$ 171,154	\$ 239,040	\$ 1,273,127
Payroll taxes	142,804	15,457	20,391	178,652
Employee benefits	98,585	12,988	19,046	130,619
Total Payroll Costs	1,104,322	199,599	278,477	1,582,398
Depreciation and amortization	250,805	5,470	14,896	271,171
Barn operations	161,248			161,248
Contract services	25,222	45,119	3,825	74,166
Utilities	58,540	1,350	4,632	64,522
Office expenses	43,902	12,815	27,773	84,490
Special event expenses	3,079		103,707	106,786
In-kind expenses	43,632	3,605	2,983	50,220
Repairs and maintenance	39,181	703	2,232	42,116
Bank and credit card fees	64,428	3,515	5,222	73,165
Insurance	28,838	455	1,446	30,739
Taxes	14,055	7,347	821	22,223
Truck and equipment	11,139	629	1,543	13,311
Seminars, clinics and camps	19,664			19,664
Travel and training	2,171	2,463	543	5,177
Recognition	10,187	10,217	862	21,266
Total Expenses	1,880,413	293,287	448,962	2,622,662
Less special events expenses	(3,079)		(103,707)	(106,786)
Total Less Special Events Expenses	\$ 1,877,334	\$ 293,287	\$ 345,255	\$ 2,515,876

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 735,911	\$ 122,856	\$ 172,351	\$ 1,031,118
Payroll taxes	102,341	10,262	14,278	126,881
Employee benefits	84,726	6,784	13,985	105,495
Total Payroll Costs	922,978	139,902	200,614	1,263,494
Depreciation and amortization	247,774	7,525	13,437	268,736
Barn operations	128,064			128,064
Contract services	17,863	106,941	51,908	176,712
Utilities	57,781	1,536	4,326	63,643
Office expenses	31,905	28,958	19,230	80,093
Special event expenses	2,711		80,054	82,765
In-kind expenses	57,734	4,322	504	62,560
Repairs and maintenance	39,998	721	2,273	42,992
Bank and credit card fees	56,364	35,918	3,404	95,686
Insurance	27,414	431	1,360	29,205
Taxes	13,775	814	1,005	15,594
Truck and equipment	9,230	929	1,319	11,478
Seminars, clinics and camps	25,244			25,244
Travel and training	4,958	4,138	104	9,200
Recognition	8,092	664	348	9,104
Total Expenses	1,651,885	332,799	379,886	2,364,570
Less special events expenses	(2,711)		(80,054)	(82,765)
Total Less Special Events Expenses	\$ 1,649,174	\$ 332,799	\$ 299,832	\$ 2,281,805

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from donors for operations	\$ 1,931,057	\$ 1,543,304
Cash received from program fees and other	980,357	825,682
Cash payments to employees	(1,220,279)	(989,651)
Cash payments to vendors and others	(1,139,893)	(1,087,986)
Cash paid for interest	(39,958)	(47,738)
Net Cash Provided by Operating Activities	511,284	243,611
Cash Flows From Investing Activities:		
Purchases of investments	(90,657)	(77,802)
Proceeds from sale of investments	90,291	80,063
Proceeds from sale of property and equipment	367,100	5,603
Purchase of property and equipment	(375,045)	(19,602)
Net Cash Used by Investing Activities	(8,311)	(11,738)
Cash Flows From Financing Activities:		
Receipt of contributions restricted for property and equipment	307,256	14,000
Net repayment of line of credit		(250,000)
Proceeds from notes payable		1,193,000
Payments on notes payable	(370,685)	(969,419)
Net Cash Used by Financing Activities	(63,429)	(12,419)
Change in Cash and Cash Equivalents	439,544	219,454
Cash and cash equivalents, beginning of year	860,438	640,984
Cash and Cash Equivalents, End of Year	\$ 1,299,982	\$ 860,438

See accompanying notes.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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 equine-assisted therapies and activities to children and adults with physical, emotional and/or developmental disabilities. The objective of these activities is to provide the riders and patients with the opportunity to improve their physical health, provide a sense of accomplishment and control, and create a positive environment for learning and to emphasize their capabilities. Little Bit's programs help improve riders' overall health, and positively impact their lives far beyond Little Bit's doors. Equine- assisted therapy and adaptive riding are Little Bit's two main programs:

- **Therapy** - Utilizing equine movement is a recognized, intensive medical therapy 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 with activities of daily living and increased participation in family, school and community life. In 2018, Little Bit provided approximately 60 equine-assisted therapy sessions per week, year round.
- **Adaptive Riding** - Consists of a one-hour lesson with one to four other participants similar in cognitive age and ability that focuses on increasing individual riding skills while gaining therapeutic benefits. In 2018, 24 specially-trained horses provided recreational riding lessons for individuals with special needs to approximately 165 riders per week, year around. A part of our Adaptive Riding Program is Equine-Facilitated Psychotherapy (EFP). EFP consists of counseling centers bringing their patients to Little Bit along with their mental health professionals to work alongside our equine specialists and horses.

An average of 340 volunteers a week assist 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 1,196 individuals donated 34,388 hours (unaudited) of their time to Little Bit in 2018. 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.

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.

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.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 2 - Continued

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.

Program Service Fees - Program service fees charged to participants are allocated to the period in which services are to be provided. Fees received in advance for services in future periods are reported as deferred revenue on the statements of financial position. Program service fees revenue is reported net of tuition waivers and discounts granted to participants.

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 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.

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 39 years for buildings, 15 years for land improvements, 5 to 7 years for furniture and equipment, and 3 to 7 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.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 2 - Continued

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.

Subsequent Events - Little Bit has evaluated subsequent events through May 29, 2019, the date on which the financial statements were available to be issued.

New Accounting Pronouncements - During the year ended December 31, 2018, Little Bit adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) required for fiscal years ending December 31, 2018. The changes required by the update have been applied retrospectively to all periods presented. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three and the removal of the requirement to present the indirect reconciliation of reporting operating cash flows. A footnote on liquidity and availability of financial assets has also been added at Note 10.

Note 3 - Grants and Pledges Receivable

Grants and pledges receivable at December 31 were scheduled to be received as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 114,399	\$ 153,265
One to five years	<u>30,000</u>	<u>110,000</u>
	144,399	263,265
Less present value discount of 4%	<u>(1,154)</u>	<u>(5,340)</u>
Total Grants and Pledges Receivable, Net	<u>\$ 143,245</u>	<u>\$ 257,925</u>

Grants and contributions receivable include certain concentrations with individual supporters. As of December 31, 2018, 87% of Little Bit's outstanding grants and contributions receivable are due from three donors. As of December 31, 2017, 93% of Little Bit's outstanding grants and contributions receivable are due from two donors.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 4 - Investments

Investments held for long-term purposes include endowment funds.

Investments consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 86,130	\$ 113,561
Equities-		
U.S.	352,705	376,046
International	36,260	43,522
Fixed income mutual funds	<u>222,356</u>	<u>207,158</u>
Total Investments	<u>\$ 697,451</u>	<u>\$ 740,287</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 21,659	\$ 17,369
Realized and unrealized (losses) gains	(43,202)	82,935
Investment fees	<u>(1,136)</u>	<u>(806)</u>
Total Investment Return	<u>\$ (22,679)</u>	<u>\$ 99,498</u>

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.

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.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 4 - Continued

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, 2018 and 2017.

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>2018</u>	<u>2017</u>
Land	\$ 2,320,817	\$ 2,320,817
Land improvements	724,192	724,192
Buildings	7,065,378	6,739,265
Furniture and equipment	451,232	448,300
Horses	74,000	57,500
	<u>10,635,619</u>	<u>10,290,074</u>
Accumulated depreciation	<u>(1,964,696)</u>	<u>(1,723,176)</u>
Total Property and Equipment, Net	<u><u>\$ 8,670,923</u></u>	<u><u>\$ 8,566,898</u></u>

Note 6 - Property Held for Sale

During the year ended December 31, 2016, Little Bit identified a portion of its land that is not developable and held it for sale. The carrying amount (book value) of that land of \$264,000 was reported separately on the statements of financial position as a current asset during the year ended December 31, 2017. Little Bit sold the land during the year ended December 31, 2018 for \$367,000.

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 7 - Notes Payable

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

	<u>2018</u>	<u>2017</u>
Note payable to a bank, original amount of \$826,000, interest at 4.60%, monthly principal and interest payments of \$4,667 through June 1, 2027 when the loan matures. The loan is secured by a deed of trust on property.	\$ 787,900	\$ 816,585
Note payable to a bank, original amount of \$367,000, interest at 3.83%, interest payments through June 1, 2018 when the loan matures. The loan was secured by a deed of trust on property. Note was repaid in full during 2018.		342,000
Less unamortized debt issuance costs	<u>(3,503)</u>	<u>(4,504)</u>
	784,397	1,154,081
Less current portion	<u>(19,876)</u>	<u>(360,303)</u>
Total Long-Term Debt, Net of Current Portion	<u>\$ 764,521</u>	<u>\$ 793,778</u>

Future maturities of long-term debt are as follows:

For the Year Ending December 31,

2019	\$ 19,876
2020	20,815
2021	22,041
2022	23,171
2023	24,213
Thereafter	<u>677,784</u>
	787,900
Less unamortized loan fees	<u>(3,503)</u>
Total Long-Term Debt	<u>\$ 784,397</u>

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 8 - Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Endowment funds (Note 9)	\$ 686,359	\$ 729,643
Purpose restricted-		
Rider scholarships, therapy and adaptive programs support	213,771	98,212
Horse sponsorship, purchase and care	156,369	153,043
Director of Development personnel expenses	120,784	210,172
Information technology upgrades	33,145	
Paralympics competitions	27,705	27,705
Activity trail	1,676	1,676
Staff education	783	2,143
Other program items	299	6,306
Time restricted-		
Operating pledges	<u>32,750</u>	<u>11,190</u>
	<u>\$ 1,273,641</u>	<u>\$ 1,240,090</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 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

LITTLE BIT THERAPEUTIC RIDING CENTER

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 9 - Continued

As of December 31, 2018, endowment net assets consisted of the following:

	Endowment Unspent Earnings	Endowment Corpus	Total
Scholarship endowment	\$ 9,248	\$ 60,000	\$ 69,248
General endowment	78,211	538,900	617,111
Total at December 31, 2018	\$ 87,459	\$ 598,900	\$ 686,359

As of December 31, 2017, endowment net assets consisted of the following:

	Endowment Unspent Earnings	Endowment Corpus	Total
Scholarship endowment	\$ 13,576	\$ 60,000	\$ 73,576
General endowment	117,167	538,900	656,067
Total at December 31, 2017	\$ 130,743	\$ 598,900	\$ 729,643

Changes to endowment net assets for the years ended December 31, 2018 and 2017, were as follows:

	Endowment Unspent Earnings	Endowment Corpus	Total
Endowment net assets, January 1, 2017	\$ 48,490	\$ 598,900	\$ 647,390
Total endowment investment return	99,058		99,058
Appropriation of endowment for expenditure	(16,805)		(16,805)
Endowment Net Assets, December 31, 2017	130,743	598,900	729,643
Total endowment investment return	(24,191)		(24,191)
Appropriation of endowment for expenditure	(19,093)		(19,093)
Endowment Net Assets, December 31, 2018	\$ 87,459	\$ 598,900	\$ 686,359

LITTLE BIT THERAPEUTIC RIDING CENTER

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,299,982	\$ 860,438
Grants and pledges receivable, net	143,245	257,925
Investments	<u>697,451</u>	<u>740,287</u>
 Total financial assets	 2,140,678	 1,858,650
Receivables scheduled to be collected in more than one year	(28,846)	(104,660)
Contractual or donor-imposed restrictions-		
Endowment funds	(686,359)	(729,643)
Other donor restrictions	<u>(587,282)</u>	<u>(510,447)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 838,191</u>	 <u>\$ 513,900</u>