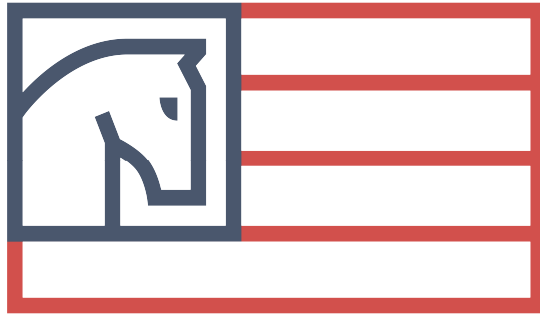




WAR HORSES
FOR VETERANS

FINANCIAL STATEMENTS

December 31, 2023

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Independent Auditors' Report

Board of Directors
War Horses for Veterans, Inc.

Opinion

We have audited the financial statements of War Horses for Veterans, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.

Kendy Eck & Brackel LLP

St. Louis, Missouri
August 18, 2025

War Horses for Veterans, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

Cash and cash equivalents	\$ 121,187
Grants receivable	48,971
Prepaid expenses	5,120
Property and equipment, net	1,426,066
Endowment investments	<u>821,394</u>
Total assets	<u>\$ 2,422,738</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 19,796
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Net assets

Without donor restrictions	1,581,548
With donor restrictions	<u>821,394</u>
Total net assets	<u>2,402,942</u>
Total liabilities and net assets	<u>\$ 2,422,738</u>

The accompanying notes are an integral part of these financial statements.

War Horses for Veterans, Inc.
STATEMENT OF ACTIVITIES
Year ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants	\$ 299,803	\$ -	\$ 299,803
Contributions			
Cash	632,973	5,054	638,027
Nonfinancial assets and services	299,858	-	299,858
Net investment income	47	131,967	132,014
Merchandise sales, net	10,406	-	10,406
Special events, net of cost of direct benefit to donors of \$54,313	337,822	-	337,822
Rental income	11,572	-	11,572
Other	7,732	-	7,732
Total support and revenue	1,600,213	137,021	1,737,234
Expenses			
Program services	1,093,452	-	1,093,452
Management and general	141,529	-	141,529
Fundraising	130,441	-	130,441
Total expenses	1,365,422	-	1,365,422
INCREASE IN NET ASSETS	234,791	137,021	371,812
Net assets at beginning of year	1,346,757	684,373	2,031,130
Net assets at end of year	\$ 1,581,548	\$ 821,394	\$ 2,402,942

The accompanying notes are an integral part of these financial statements.

War Horses for Veterans, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	Program services	Management and general	Fundraising	Total
Salaries	\$ 186,540	\$ 84,606	\$ 43,130	\$ 314,276
Payroll taxes and employee benefits	25,718	9,662	1,701	37,081
Meals	63,066	1,753	135	64,954
Travel	107,516	7,998	615	116,129
Occupancy	30,067	8,573	659	39,299
Depreciation	80,888	-	-	80,888
Supplies	39,053	2,477	131	41,661
Dues and subscriptions	5,602	572	1,418	7,592
Utilities	23,778	7,477	575	31,830
Advertising	408	147	17	572
Insurance	10,017	3,617	278	13,912
Miscellaneous	1,000	2,615	377	3,992
Horse care	162,047	-	-	162,047
Health and fitness	10,060	-	-	10,060
Contractors and professional services	329,990	12,032	33,898	375,920
Rent	17,702	-	-	17,702
Special event expense	-	-	101,820	101,820
Total expenses by function	1,093,452	141,529	184,754	1,419,735
Less expenses included with revenues on the statements of activities				
Cost of direct benefits to donors	-	-	(54,313)	(54,313)
Total expenses	\$ 1,093,452	\$ 141,529	\$ 130,441	\$ 1,365,422

The accompanying notes are an integral part of these financial statements.

War Horses for Veterans, Inc.
STATEMENT OF CASH FLOWS
Year ended December 31, 2023

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities

Increase in net assets	\$ 371,812
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	80,888
Realized and unrealized gain on endowment investments	(119,657)
Contributions restricted to endowment	(5,054)
Contributed livestock	(250,000)
Change in assets and liabilities	
Grants receivable	(48,971)
Prepaid expenses	(5,120)
Other assets	767
Accounts payable	(9,804)
Net cash provided by operating activities	14,861

Cash flows from investing activities

Purchase of property and equipment	(178,722)
Proceeds from the sale of investments	28,652
Purchases of investments	(46,016)
Net cash used in investing activities	(196,086)

Cash flows from financing activities

Collections of contributions restricted for endowment	5,054

NET DECREASE IN CASH AND CASH EQUIVALENTS (176,171)

Cash and cash equivalents, beginning of year

 297,358

Cash and cash equivalents, end of year

 \$ 121,187

The accompanying notes are an integral part of these financial statements.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE A | NATURE OF ENTITY

War Horses for Veterans, Inc. (the "Organization"), is a nonprofit Organization which operates an equine therapy program for veterans and their families, who are dealing with the effects of war or other duty-related issues, by providing a comfortable, non-threatening environment for veterans to interact with well-managed horses and each other. The organization is located in Stilwell, Kansas.

NOTE B | SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net assets with donor restrictions – Net assets subject to donor or grantor-imposed restrictions. Some donor or grantor-imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Grants Receivable

The Organization records grants receivable that are expected to be collected within one year at net realizable value. Grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectable grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. At December 31, 2023, there was no allowance for uncollectable grants receivable.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal and most advantageous market for the asset or liability. Donated securities are recorded as a contribution at their fair value at the date of donation. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. See Note D for a discussion on fair value measurements.

Property and Equipment

Property and equipment additions are recorded at cost if purchased or at fair value at the date of donation, if donated. Property and equipment additions are capitalized if they are in excess of \$1,500. Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated service lives of assets are as follows:

	<u>Years</u>
Building and improvements	10 - 40
Furniture and equipment	5 - 10
Livestock	3 - 7

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Merchandise sales are recognized at the time of purchase. Special events revenue is recorded equal to the fair value of direct benefits to donors, and contribution revenue for the difference. Rental income is recognized when the performance obligations are met.

Revenue derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when the qualifying expenditures have been incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts were received in advance under these contracts and grants for the year ended December 31, 2023.

Contributed Nonfinancial Assets and Services

Contributed nonfinancial assets and services include donated professional services, donated livestock, and other contributed nonfinancial assets, which are recorded at the respective fair values of the goods or services received as further disclosed in Note I. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services as described in Note J.

Use of Estimates

In preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 those estimates.

Income Taxes

The Organization qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3), and accordingly it is exempt from Federal income taxes. The Organization files Form 990-PF, Return of Private Foundations under section 4947(a)(1). These returns are generally subject to examination by the Internal Revenue Service for three years from the date they are filed.

On January 1, 2022, the Organization filed a notice with the IRS to terminate its private foundation status and intends to operate as a public charity as defined in IRC Section 170(b)(1)(A)(vi) during the 60 month advance ruling period, which ends December 31, 2026. During the advance ruling period, the Organization is required to file Form 990-PF, Return of Private Foundations.

NOTE C | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents financial assets as of December 31, 2023, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 121,187
Grants receivable	48,971
Endowment investments	<u>821,394</u>
Total financial assets	<u>991,552</u>
Contractual or donor-imposed restrictions	
Endowment investments	<u>(821,394)</u>
Financial assets available for general expenditure	<u><u>\$ 170,158</u></u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

Income from donor-restricted endowments is available for general use, however, funds remain restricted until the Board appropriates them for expenditure.

NOTE D | FAIR VALUE MEASUREMENT

FASB *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework 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 and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below.

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 an inactive market;
- 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 or other means.

If the asset or liability has a specific (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's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

When available, the Organization uses quoted prices to determine the fair value of investments. Investments in equity securities and real assets are valued based on the quoted market price of the investments on their respective exchange. These investments are Level 1.

Corporate bonds are valued based on recent trading activity and other relevant trading information including yield curves. These investments are included in Level 2.

Investments in money market funds are based on an amortized cost valuation method designed to maintain a net asset value (NAV) of \$1 per share, which approximates fair value. These investments are Level 2.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

A summary of assets at December 31, 2023 measured at fair value on a recurring basis were as follows:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Endowment Investments				
Equity securities	\$ 508,827	\$ 508,827	\$ -	\$ -
Corporate bonds	265,484	-	265,484	-
Real assets	20,204	20,204	-	-
Money market funds	26,879	-	26,879	-
Total	\$ 821,394	\$ 529,031	\$ 292,363	\$ -

NOTE E | ENDOWMENT

The Board of Directors of the Organization has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts donated, and (c) any accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 609,407	\$ 609,407
Accumulated investment income	-	211,987	211,987
	\$ -	\$ 821,394	\$ 821,394

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

During the year ended December 31, 2023, the Organization's endowment net assets had the following activity:

	Without donor restrictions	With donor restrictions	Total
Beginning balance at January 1, 2023	\$ -	\$ 684,373	\$ 684,373
Net investment income	-	131,967	131,967
Contributions	-	5,054	5,054
Ending balance at December 31, 2023	\$ -	\$ 821,394	\$ 821,394

Endowment Management, Investment, and Spending Policies

The Organization's investment and spending policy for the endowment assets was designed to provide financial support to help meet its operating, program-related, maintenance, and capital needs.

The Organization is currently in the position of growing the endowment fund and does not anticipate distributing any funds until the endowment balance reaches \$8 million unless an emergency situation should arise that would make a distribution necessary.

NOTE F | PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2023:

Building and improvements	\$ 1,138,926
Furniture and equipment	159,882
Livestock	313,496
	<u>1,612,304</u>
Less accumulated depreciation	<u>186,238</u>
	<u>\$ 1,426,066</u>

NOTE G | CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash balances at a financial institution which provides insurance through the Federal Deposit Insurance Corporation. From time to time, cash balances may exceed Federal insurance limits. The Organization has not experienced any losses in the accounts with the financial institutions and believes it is not exposed to any significant credit risk on its cash.

The Organization has a significant amount of investments. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with investments it is at

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE H | NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor-imposed restrictions were restricted for the following purposes or periods at December 31, 2023:

Subject to appropriation by the Board of Directors	
Unappropriated endowment income	\$ 211,987
Not subject to spending policy or appropriation	
Donor-restricted endowment funds	<u>609,407</u>
	<u>\$ 821,394</u>

There were no net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or periods specified by the donors for the year ended December 31, 2023.

NOTE I | CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

The Organization receives contributed nonfinancial assets and services, which would have to be purchased if not provided by donation. Contributed services are recognized in the financial statements if the services received create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. Contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets and services are recorded at the estimated fair value at the date of the contribution and are recognized in the financial statements as follows during the year ended December 31, 2023:

Food, clothing and supplies	\$ 9,506
Furniture and equipment	3,150
Livestock	250,000
Donated services	18,500
Rent	17,702
Other	<u>1,000</u>
	<u>\$ 299,858</u>

Contributed food, clothing and supplies and furniture and equipment were utilized for the Organization's program services and fundraising. The Organization's estimated fair value is based on the estimated value that it would cost the Organization to purchase a similar item from a local or on-line retailer.

Contributed livestock was utilized for the Organization's program services. The Organization's estimated fair value is based on the appraisal value. The livestock was capitalized.

War Horses for Veterans, Inc.
NOTES TO FINANCIAL STATEMENTS

Donated services were utilized for the Organization's program services and fundraising activities and recognized at fair value based on current rates for similar services.

Contributed rent was also utilized for the Organization's program services and recognized at estimated fair value of the land.

NOTE J | FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries, employee benefits and taxes which are allocated on the basis of estimated time and effort; and occupancy and insurance which are allocated to those programs based on the Organization's estimate for the relative percentage usage/time spent towards each program.

NOTE K | RELATED-PARTY TRANSACTIONS

The Organization entered into a ground lease agreement with two members of the Board of Directors, who are also the co-founders of the Organization. The Organization is responsible for the costs of designing, constructing, equipping and furnishing any improvements to the property. The lease commenced on July 1, 2019 and ends June 30, 2059. The agreement states that the lessor will not charge rent for the Organization's use of the property, equipment and livestock. The rent was valued at \$17,702 for the year ended December 31, 2023 as disclosed in Note I.

NOTE L | SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 18, 2025, the date the financial statements were available to be issued.

On April 1, 2025, the Organization entered into a contract related to the construction of a barn building with horse stalls. The maximum estimated budget for the construction is approximately \$165,000.

On August 16, 2025, the Organization received a loan in the amount of \$50,000 at an interest rate of 0.0% from a board member for the barn building. The loan is required to be repaid within six months.