

EISNERAMPER

**UNITED STATES EQUESTRIAN TEAM
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018



UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
United States Equestrian Team Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Equestrian Team Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 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

The Foundation's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Equestrian Team Foundation, Inc. as of December 31, 2019 and 2018, 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.



EISNERAMPER LLP
New York, New York
May 14, 2020



UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,076,896	\$ 1,486,075
Contributions and pledges receivable, net	9,410,384	9,245,188
Accrued investment income receivable	40,466	36,273
Investments	15,870,929	12,483,699
Prepaid expenses	161,212	49,185
Property and equipment, net	<u>1,131,116</u>	<u>1,286,074</u>
	<u>\$ 28,691,003</u>	<u>\$ 24,586,494</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	<u>\$ 105,335</u>	<u>\$ 20,596</u>
Total liabilities	<u>105,335</u>	<u>20,596</u>
Commitments and contingency (see Note M)		
Net assets:		
Without donor restrictions:		
Undesignated fund, available for general activities	4,225,373	1,952,015
Board-designated funds, functioning as endowment	<u>4,406,939</u>	<u>3,698,793</u>
Total net assets without donor restriction	<u>8,632,312</u>	<u>5,650,808</u>
With donor restrictions:		
Purpose restrictions	5,311,465	3,429,043
Time-restricted for future periods	4,819,263	5,793,558
Perpetual in nature	<u>9,822,628</u>	<u>9,692,489</u>
Total net assets with donor restrictions	<u>19,953,356</u>	<u>18,915,090</u>
	<u>28,585,668</u>	<u>24,565,898</u>
	<u>\$ 28,691,003</u>	<u>\$ 24,586,494</u>

See notes to financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions (including in-kind donations of \$5,010 and \$8,525 in 2019 and 2018, respectively)	\$ 2,396,538	\$ 3,708,230	\$ 6,104,768	\$ 2,871,369	\$ 4,920,012	\$ 7,791,381
Special events (net of direct benefits to participants of \$128,889 and \$348,570 in 2019 and 2018, respectively)	910,861	-	910,861	46,908	-	46,908
Bequests	7,000	-	7,000	30,000	-	30,000
Interest and dividend income, net	84,206	166,183	250,389	12,835	168,206	181,041
Facility income	71,128	-	71,128	52,708	-	52,708
Other income	46,755	-	46,755	40,440	-	40,440
Total public support and revenue before net assets released from restrictions	3,516,488	3,874,413	7,390,901	3,054,260	5,088,218	8,142,478
Net assets released from restrictions	4,256,006	(4,256,006)	-	4,064,183	(4,064,183)	-
Total public support and revenue	7,772,494	(381,593)	7,390,901	7,118,443	1,024,035	8,142,478
Expenses:						
Program services:						
Competition and training – grants	2,598,618	-	2,598,618	3,566,819	-	3,566,819
Competition and training	1,293,581	-	1,293,581	2,220,048	-	2,220,048
Total program expenses	3,892,199	-	3,892,199	5,786,867	-	5,786,867
Supporting services:						
General and administrative	551,427	-	551,427	492,628	-	492,628
Fund-raising	1,093,328	-	1,093,328	1,290,389	-	1,290,389
Total supporting services	1,644,755	-	1,644,755	1,783,017	-	1,783,017
Total expenses before depreciation	5,536,954	-	5,536,954	7,569,884	-	7,569,884
Depreciation	173,470	-	173,470	176,631	-	176,631
Total expenses	5,710,424	-	5,710,424	7,746,515	-	7,746,515
Change in net assets before net realized and unrealized gains (losses) on investments	2,062,070	(381,593)	1,680,477	(628,072)	1,024,035	395,963
Net realized and unrealized gains (losses) on investments	919,434	1,419,859	2,339,293	(117,031)	(850,262)	(967,293)
Change in net assets	2,981,504	1,038,266	4,019,770	(745,103)	173,773	(571,330)
Net assets, beginning of year	5,650,808	18,915,090	24,565,898	6,395,911	18,741,317	25,137,228
Net assets, end of year	\$ 8,632,312	\$ 19,953,356	\$ 28,585,668	\$ 5,650,808	\$ 18,915,090	\$ 24,565,898

See notes to financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized financial information for 2018)

	Program Services		Supporting Services			Totals	
	Competition and Training	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	2019	2018
Grants – United States Equestrian Federation, Inc.	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 3,440,000
Grants – domestic individual athletes	98,618	98,618	-	-	-	98,618	126,819
Salaries and wages – officers	256,437	256,437	36,634	230,270	266,904	523,341	668,622
Professional fees	-	-	136,836	131,470	268,306	268,306	234,136
Catering and other fundraising event expenses	-	-	-	206,899	206,899	206,899	532,835
Salaries and wages – non-officers	298,313	298,313	46,794	239,821	286,615	584,928	561,572
Payroll taxes and employee benefits	203,481	203,481	58,783	189,916	248,699	452,180	486,020
Communications and public relations	140,988	140,988	26,673	213,387	240,060	381,048	415,585
Information technology	52,092	52,092	52,092	-	52,092	104,184	61,937
Office	21,242	21,242	63,726	-	63,726	84,968	101,114
Utilities, cleaning, and other occupancy expenses	15,879	15,879	47,638	-	47,638	63,517	93,230
Competition related travel and accommodations and other travel expenses	37,125	37,125	383	765	1,148	38,273	933,199
Insurance	154,022	154,022	6,418	-	6,418	160,440	151,553
Repairs and maintenance	101,890	101,890	-	-	-	101,890	89,688
Printing and postage	12,112	12,112	2,422	9,689	12,111	24,223	16,937
Bad debts expense	-	-	19,395	-	19,395	19,395	-
Miscellaneous	-	-	53,633	-	53,633	53,633	5,207
Total expenses	3,892,199	3,892,199	551,427	1,222,217	1,773,644	5,665,843	7,918,454
Depreciation	131,837	131,837	15,612	26,021	41,633	173,470	176,631
Total expenses before direct benefit to donors	4,024,036	4,024,036	567,039	1,248,238	1,815,277	5,839,313	8,095,085
Less direct benefit to donors	-	-	-	(128,889)	(128,889)	(128,889)	(348,570)
	<u>\$ 4,024,036</u>	<u>\$ 4,024,036</u>	<u>\$ 567,039</u>	<u>\$ 1,119,349</u>	<u>\$ 1,686,388</u>	<u>\$ 5,710,424</u>	<u>\$ 7,746,515</u>

See notes to financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

**Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>			<u>2018</u>
	<u>Competition and Training</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	
Grants – United States Equestrian Federation, Inc.	\$ 3,440,000	\$ 3,440,000	\$ -	\$ -	\$ -	\$ 3,440,000
Grants – domestic individual athletes	126,819	126,819	-	-	-	126,819
Salaries and wages – officers	326,620	326,620	47,808	294,194	342,002	668,622
Professional fees	-	-	119,744	114,392	234,136	234,136
Catering and other fundraising event expenses	-	-	-	532,835	532,835	532,835
Salaries and wages – non-officers	288,377	288,377	44,926	228,269	273,195	561,572
Payroll taxes and employee benefits	217,060	217,060	63,595	205,365	268,960	486,020
Communications and public relations	154,911	154,911	27,821	232,853	260,674	415,585
Information technology	30,968	30,968	30,969	-	30,969	61,937
Office	25,279	25,279	75,835	-	75,835	101,114
Utilities, cleaning, and other occupancy expenses	23,308	23,308	69,922	-	69,922	93,230
Competition related travel and accommodations and other travel expenses	909,361	909,361	4,768	19,070	23,838	933,199
Insurance	146,007	146,007	5,546	-	5,546	151,553
Repairs and maintenance	89,688	89,688	-	-	-	89,688
Printing and postage	8,469	8,469	1,694	6,774	8,468	16,937
Miscellaneous	-	-	-	5,207	5,207	5,207
Total expenses	5,786,867	5,786,867	492,628	1,638,959	2,131,587	7,918,454
Depreciation	135,038	135,038	14,562	27,031	41,593	176,631
Total expenses before direct benefit to donors	5,921,905	5,921,905	507,190	1,665,990	2,173,180	8,095,085
Less direct benefit to donors	-	-	-	(348,570)	(348,570)	(348,570)
	\$ 5,921,905	\$ 5,921,905	\$ 507,190	\$ 1,317,420	\$ 1,824,610	\$ 7,746,515

See notes to financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 4,019,770	\$ (571,330)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	173,470	176,631
Bad debts expense	19,395	-
Donor restricted endowment contributions to be held in perpetuity	(130,139)	(703,883)
Net realized and unrealized (gains) losses on investments	(2,339,293)	967,293
Donated securities	(810,900)	(900,652)
Proceeds from sales of donated securities	810,900	900,652
Changes in:		
Contributions and pledges receivable	(184,591)	(155,638)
Accrued investment income receivable	(4,193)	13,880
Prepaid expenses	(112,027)	144,826
Accounts payable and accrued expenses	84,739	(112,868)
Amounts held on behalf of others	-	(428,516)
Net cash provided by (used in) operating activities	<u>1,527,131</u>	<u>(669,605)</u>
Cash flows from investing activities:		
Purchases of improvements	(18,512)	(22,365)
Purchases of investments	(7,802,252)	(17,543,147)
Proceeds from sales of investments	<u>6,754,315</u>	<u>15,993,879</u>
Net cash used in investing activities	<u>(1,066,449)</u>	<u>(1,571,633)</u>
Cash flows from investing activities:		
Donor restricted endowment contributions to be held in perpetuity	<u>130,139</u>	<u>703,883</u>
Net change in cash and cash equivalents	590,821	(1,537,355)
Cash and cash equivalents, beginning of year	<u>1,486,075</u>	<u>3,023,430</u>
Cash and cash equivalents, end of year	<u>\$ 2,076,896</u>	<u>\$ 1,486,075</u>
Supplemental disclosure of cash flow information:		
In-kind donations	\$ 5,010	\$ 8,525

See notes to financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - SUMMARY OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

The United States Equestrian Team Foundation, Inc. (the "Foundation"), incorporated in New Jersey in 1950 and formerly known as the United States Equestrian Team, Inc. (the "Team"), was formed as a not-for-profit organization to provide training, preparation, and financing to teams and individuals representing the United States in the Olympic Games, Pan-American Games, and other national and international competitions.

In 2003, the Team amended its by-laws to change its name and redefine its mission to raise funds and make grants to support international, high-performance, equestrian activities and teams, based on a plan agreed to by the Team and USA Equestrian, Inc. ("USAE") to create a new national governing body ("NGB") for the equestrian sport. The plan, structured to incorporate the strengths of each organization, created a new entity, the United States Equestrian Federation, Inc. ("USEF"), to carry on certain activities previously performed by the Team and USAE and established that the USEF is to provide all services required for equestrian sport, both national and international, to meet the obligations of a United States Olympic Committee-designated NGB. Effective December 1, 2003, the Team ceased its equestrian training and competition-related activities and commenced operations as the Foundation.

The Foundation is exempt from federal income tax under provisions of Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] 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, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

For financial reporting purposes, the Foundation considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are invested in money-market funds, certificates of deposit, and government-backed securities.

[5] Investments:

The Foundation's investments in equity securities, real estate investment trusts, exchange-traded funds, fixed-income bonds, and other fixed-income securities are reported at their fair values in the statements of financial position based on quoted market prices.

The Foundation's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - SUMMARY OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their estimated fair values or by their net asset values as determined by the Foundation's management on the dates of donation. The Foundation's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of investment managers. The balances of investment management fees disclosed in Note C are those specific fees charged by the Foundation's investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[6] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation, less accumulated depreciation. The Foundation capitalizes items of property and equipment that have a cost of \$2,500 or more and a useful life greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over estimated useful lives of the related assets, which range from five to twenty-five years for improvements; three to ten years for office equipment; and five years for vehicles.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2019 and 2018, respectively, and in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Net assets:

(i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are therefore available for current operations. The Board of Trustees has designated a portion of net assets without donor restrictions to serve as an endowment for the Foundation to provide reserves for various Foundation programs (see also Note E).

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - SUMMARY OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the State of New Jersey's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Trustees, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

[8] Revenue recognition:

(i) *Contributions:*

Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. Special event revenues, other than contributions, that are applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Management reserves a portion of pledges and contribution receivable as uncollectible based on historical percentage of previously uncollected accounts. The Foundation records bequest income at the time it has an established right to a bequest and the proceeds are measurable.

(ii) *Facility income:*

Facility income is recognized in the statements of activities according to the terms of each individual contract as the underlying services are provided or the obligations have been met.

[9] Donated services:

Those donated services that meet the requirements for recognition under U.S. GAAP are recorded as both revenue and expense in the statements of activities if the services (i) create or enhance nonfinancial assets, (ii) require specialized skill and provided by individuals possessing those skills, and (iii) would typically need to be purchased if not donated.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - SUMMARY OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Functional allocation of expenses:

The costs of providing the Foundation's various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and space allocations among employees.

[11] Income tax uncertainties:

The Foundation follows the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. For the Foundation, these provisions could be applicable to the incurrence of unrelated business income tax ("UBIT"). Because of the Foundation's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements.

[12] Adoption of accounting pronouncements:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. The new standard is effective for fiscal years beginning after December 15, 2018 and, accordingly, the Foundation was required to adopt the standard for its year ended December 31, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue, and therefore no changes to the previously issued audited financial statements was required on a retrospective basis. This presentation and disclosures of revenue have been enhanced in accordance with this standard.

(ii) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and periods beginning after December 15, 2019 for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. The Foundation adopted the resource recipient portion and early adopted the resource provider portion of the standard and this accounting guidance did not have a material effect on the Foundation's financial statements.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - SUMMARY OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Adoption of accounting pronouncements: (continued)

(iii) Disclosure Requirements for Fair-Value Measurements:

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Foundation's financial statements. The Foundation early adopted this pronouncement as of December 31, 2019, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements for all periods presented. Analysis of this standard resulted in no significant changes in the Foundation's disclosure requirements for fair value measurements, and therefore no changes to the previously issued audited financial statements was required on a retrospective basis.

[13] Upcoming accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. The ASU will be effective commencing January 1, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

[14] Subsequent events:

We evaluated subsequent events through May 14, 2020, the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At each year-end, contributions and pledges receivable are estimated to be collected as follows:

	December 31,	
	2019	2018
2019	\$ -	\$ 3,451,630
2020	4,591,121	2,887,394
2021	3,097,167	2,032,500
2022	1,705,667	1,188,000
2023	509,000	328,000
2024	<u>75,000</u>	<u>75,000</u>
	9,977,955	9,962,524
Less: estimated uncollectible pledges	<u>(147,401)</u>	<u>(147,044)</u>
	9,830,554	9,815,480
Reduction of pledges due in excess of one year to present value, using a discount rate of 3.25%	<u>(420,170)</u>	<u>(570,292)</u>
	<u>\$ 9,410,384</u>	<u>\$ 9,245,188</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2019 and 2018**

NOTE C - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Equity securities (a)	\$ 7,439,578	\$ 6,341,605	\$ 4,863,490	\$ 5,280,314
Real estate investment trusts	108,466	101,747	134,625	148,634
Exchange-traded funds (b)	2,381,333	2,164,720	2,216,590	2,434,620
Fixed-income bonds:				
Government	1,273,982	1,229,687	1,249,250	1,236,697
Corporate	2,697,744	2,561,510	2,100,318	2,097,307
Other fixed income securities (c)	1,969,826	1,926,163	1,919,426	1,913,130
	<u>\$15,870,929</u>	<u>\$14,325,432</u>	<u>\$12,483,699</u>	<u>\$13,110,702</u>

(a) Invested in domestic and international common stock.

(b) Invested in large blend, foreign large blend, diversified emerging markets, and mid-cap blend.

(c) Includes asset-backed securities, mortgage-backed securities, and collateralized mortgage obligations.

During each year, investment returns consisted of the following:

	Year Ended December 31,	
	2019	2018
Interest and dividends	\$ 354,821	\$ 300,444
Investment management fees	<u>(104,432)</u>	<u>(119,403)</u>
	<u>250,389</u>	<u>181,041</u>
Realized gains	166,793	2,933,601
Unrealized gains (losses)	<u>2,172,500</u>	<u>(3,900,894)</u>
	<u>2,339,293</u>	<u>(967,293)</u>
	<u>\$ 2,589,682</u>	<u>\$ (786,252)</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.

Level 2 - Valuations are based on: (i) quoted prices for similar investments in active markets; (ii) quoted prices for those investments or similar investments in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable on the reporting date.

Level 3 - Valuations are based on unobservable pricing inputs and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following tables summarize the fair values of the Foundation's assets at each year-end, in accordance with the FASB's ASC Topic 820 valuation levels:

	December 31,					
	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Equity securities	\$ 7,439,578	\$ -	\$ 7,439,578	\$ 4,863,490	\$ -	\$ 4,863,490
Real estate investment trusts	108,466	-	108,466	134,625	-	134,625
Exchange-traded funds	2,381,333	-	2,381,333	2,216,590	-	2,216,590
Fixed-income bonds	-	3,971,726	3,971,726	-	3,349,568	3,349,568
Other fixed income securities	-	1,969,826	1,969,826	-	1,919,426	1,919,426
	<u>\$ 9,929,377</u>	<u>\$ 5,941,552</u>	<u>\$ 15,870,929</u>	<u>\$ 7,214,705</u>	<u>\$ 5,268,994</u>	<u>\$ 12,483,699</u>

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	December 31,	
	2019	2018
Improvements	\$ 5,500,815	\$ 5,482,303
Office equipment	15,295	15,295
Vehicles	<u>67,158</u>	<u>67,158</u>
	<u>5,583,268</u>	5,564,756
Less: accumulated depreciation	<u>(4,452,152)</u>	<u>(4,278,682)</u>
	<u>\$ 1,131,116</u>	<u>\$ 1,286,074</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE E - DESCRIPTION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

[1] Undesignated fund, available for general activities:

The portion of net assets without donor restrictions described as "undesignated fund, available for general activities" represent those resources for which there are no restrictions by donors as to their use and are available for current operations.

[2] Board-designated funds functioning as endowment:

The Board has approved \$90,000 for both 2019 and 2018 as additions to the board-designated funds. These additions to the board designated funds are considered to be related to the return of net assets with donor restrictions and held in perpetuity that were previously released by those donors.

(i) Capital Fund:

The Capital Fund is the Foundation's principal investment fund. It represents a reserve intended (i) to make monies available for yearly expenses should the undesignated fund not generate sufficient revenues to meet such expenses, and (ii) to provide monies for any major capital expenditures which the Board of Trustees may approve and the costs of which cannot be met by either current or special contributions.

Yearly income of the Capital Fund can be transferred by management to the undesignated category to meet operating expenses as required. The principal of the Capital Fund may be used for operating purposes or for capital expenditures only at the discretion of the Board. The Fund may be discontinued and the monies in the Fund transferred to another fund, at the discretion of the Board.

(ii) National Endowment Campaign Fund:

The National Endowment Campaign Fund was established to accommodate donors who have not restricted their campaign gifts. Donors may direct that the investment income on their gifts be unrestricted or designated as the Board chooses for a particular discipline or purpose. The Fund may be discontinued and the monies in the Fund transferred to another fund, at the discretion of the Board of Trustees.

(iii) Clark and Stone Fund:

The Forrester and Catherine Clark Fund was established by the Foundation's Executive Committee in honor of these two major benefactors of the Foundation. The Anne and Whitney Stone Memorial Fund was established by the Executive Committee, in accordance with a bequest from the estate of Mrs. Stone, to honor these two major benefactors of the Foundation. In January 2007, the Board approved combining the Clark and Stone Funds to continue their original purposes of providing support to operations and programs, as the Board of Trustees chooses.

Yearly income of the Fund may be transferred to the Operating Fund to meet operating expenses, as required. The principal of the Fund may be used for operating purposes or for capital expenditures only at the discretion of the Board. The Fund may be discontinued and the monies in the Fund transferred to another fund, at the discretion of the Board.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2019 and 2018**

NOTE E - DESCRIPTION OF NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)

[2] Board-designated funds functioning as endowment: (continued)

(iv) **Asmis, Baan, Caleel Dressage Fund:**

The Carl-Heinrich Asmis Fund was established with a contribution from Mrs. Asmis. Grants were made annually from the Fund to assist American dressage riders, competing at the fourth level or above, with the expenses incurred to gain training and/or competitive experience in Europe. The Fiona V. Baan Fund was established by the Board of Trustee in recognition of Mrs. Baan's 27 years of dedication to the Foundation and for the development of dressage in America. It has been used to support those riders who have come up through the ranks of the Foundation's Young Riders Program, as they work toward making the transition toward FEI-level competition. The Maria Caleel Memorial Fund was established with a contribution from Dr. and Mrs. Richard Caleel. Yearly income from the Fund was used to make a grant annually to the winner of the Prix St. Georges/Intermediate I Championship, to assist with the expenses of training with a trainer approved by the Dressage Committee.

In January 2007, the Board approved combining the Asmis, Baan, and Caleel Funds to continue their original purposes of providing athlete dressage grants, but at the discretion of the Board. Yearly income will assist riders, through grants, with their continuing dressage training. The Fund Committee, appointed by the Executive Committee of the Board, will select the recipients of grants. The Fund may be discontinued and the monies in the Fund transferred to another fund, at the discretion of the Board.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

	December 31,	
	2019	2018
Restricted for future periods:	\$ 4,819,263	\$ 5,793,558
Purpose restricted:		
Awards	1,473,359	1,081,100
Facility maintenance	878,385	974,264
	2,351,744	2,055,364
Subject to appropriation:		
Accumulated endowment earnings	2,959,721	1,373,679
Perpetual in nature:		
Supporting International High Performance Disciplines	9,822,628	9,692,489
	\$ 19,953,356	\$ 18,915,090

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each year, net assets released from restrictions resulted from satisfying the following donor restrictions:

	Year Ended December 31,	
	2019	2018
Time restrictions satisfied	<u>\$ 3,598,370</u>	<u>\$ 3,077,497</u>
Purpose restrictions satisfied:		
Awards	635,000	666,686
Facility maintenance	<u>22,636</u>	<u>320,000</u>
	<u>657,636</u>	<u>986,686</u>
	<u>\$ 4,256,006</u>	<u>\$ 4,064,183</u>

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENT

[1] The endowment:

The Foundation's endowment was established based on its mission and consists of both one donor-restricted endowment fund and four funds designated by the Board of Trustees to function as endowment (see Note E[2]).

[2] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original contribution to be held in perpetuity. In 2019 and 2018, there were no such deficiencies.

[3] Return objectives and risk parameters:

The Foundation has adopted an investment objective and guidelines policy for endowment assets. The overall financial objective of the endowment assets is to provide the operations of the Foundation with a relatively stable stream of spendable revenue that increases over time. If this is to be achieved over the long term, the real (inflation-adjusted) value of the endowment assets must be preserved net of annual distribution to programs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. The detailed guidelines monitored closely by the Investment Committee include:

- Asset diversification provides reasonable assurance that no single security or class of security will have disproportionate impact on the total endowment assets.
- Endowment assets are divided into two parts: (i) a "fixed-income fund" and (ii) an "equity fund" to ensure that the overall allocation between these two asset classes remains under the regular review of the Investment Committee.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2019 and 2018**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[3] Return objectives and risk parameters: (continued)

The "fixed-income fund" should on average represent approximately 40% of the total endowment assets at market value to provide a hedge against severe deflation, reduce the overall volatility of the endowment assets' market value, and produce current income. This portion of the endowment assets is to achieve a total return, net of fees, superior to that of the Bank of America/Merrill Lynch 10-Year Corporate Bond Index, and at an average total return of institutional-quality fixed income managers.

The "equity fund" should on average represent approximately 60% of the total endowment assets at market value and is to provide an average annual total return.

- Minimum ratings, U.S. Treasury and agency allowances, classes of investments not permitted (options, derivatives and financial futures), holding limits and liquidity of investments are specified.

The long-term investment objective for the endowment assets is to attain a total return (net of investment management fees) above the rate of inflation, as measured by the Consumer Price Index.

[3] Strategies employed for achieving objectives:

To satisfy its long-term, rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on cash-based investments to achieve its long-term return objectives within prudent risk constraints.

Historically, in order to achieve this investment objective, funds have had to exceed the objective substantially during some periods in order to compensate for shortfalls during other periods. It is recognized that this objective for the total endowment assets implies a relatively high average investment in equity securities and consequent market-price volatility.

[4] Spending policy and how the investment objectives relate to the spending policy:

The Investment Committee, when authorized by the Board of Trustees, may appropriate, at its discretion, up to 5% annually of the total market value of the endowment assets, calculated on a 48-month rolling average. During 2019 and 2018, there was no appropriation from the endowment fund.

[5] Endowment net-asset composition by type of fund:

	December 31, 2019			Total
	Without Donor Restriction	With Donor Restrictions		
	Amounts	Amounts	Amounts	
	Subject to Appropriation	Held in Perpetuity	Total	
Donor-restricted funds	\$ -	\$ 2,959,721	\$ 9,822,628	\$12,782,349
Board-designated funds	<u>4,406,939</u>	-	-	<u>4,406,939</u>
Total endowment funds	<u>\$ 4,406,939</u>	<u>\$ 2,959,721</u>	<u>\$ 9,822,628</u>	<u>\$17,189,288</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2019 and 2018**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[5] Endowment net-asset composition by type of fund: (continued)

	December 31, 2018			Total
	Without Donor Restriction	With Donor Restrictions		
		Amounts Subject to Appropriation	Amounts Held in Perpetuity	
Donor-restricted funds	\$ -	\$ 1,373,679	\$ 9,692,489	\$11,066,168
Board-designated funds	<u>3,698,793</u>			<u>3,698,793</u>
Total endowment funds	<u>\$ 3,698,793</u>	<u>\$ 1,373,679</u>	<u>\$ 9,692,489</u>	<u>\$14,764,961</u>

Amounts subject to appropriation represent that portion of allocated investment income, derived from endowment assets held in perpetuity, that have not been appropriated by the Board of Trustees for expenditure.

[6] Changes in endowment net assets:

	Year Ended December 31, 2019			Total
	Without Donor Restriction	With Donor Restrictions		
		Amounts Subject to Appropriation	Amounts Held in Perpetuity	
Endowment funds, beginning of year	\$ 3,698,793	\$ 1,373,679	\$ 9,692,489	\$ 14,764,961
Contributions	90,000	-	130,139	220,139
Investment income	<u>618,146</u>	<u>1,586,042</u>	<u>-</u>	<u>2,204,188</u>
Endowment funds, end of year	<u>\$ 4,406,939</u>	<u>\$ 2,959,721</u>	<u>\$ 9,822,628</u>	<u>\$ 17,189,288</u>

	Year Ended December 31, 2018			Total
	Without Donor Restriction	With Donor Restrictions		
		Amounts Subject to Appropriation	Amounts Held in Perpetuity	
Endowment funds, beginning of year	\$ 3,811,049	\$ 1,949,396	\$ 8,988,606	\$ 14,749,051
Contributions	90,000	-	703,883	793,883
Investment income	<u>(202,256)</u>	<u>(575,717)</u>	<u>-</u>	<u>(777,973)</u>
Endowment funds, end of year	<u>\$ 3,698,793</u>	<u>\$ 1,373,679</u>	<u>\$ 9,692,489</u>	<u>\$ 14,764,961</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE H - EMPLOYEE-BENEFIT PLAN

The Foundation maintains a defined-contribution employee-benefit plan under Section 403(b) of the Code covering all employees. The plan provides for matching contributions by the Foundation of 50% for 2019 and 2018, respectively, of employee contributions. Employees may contribute up to the maximum allowed by the Internal Revenue Service. All contributions by the participants and the Foundation are 100% vested and nonforfeitable. The Foundation made matching contributions of \$67,640 and \$74,041 to the plan on behalf of its employees for 2019 and 2018, respectively.

NOTE I - CONVEYED PROPERTIES

In February 2001, the Foundation was granted an easement for approximately 120 acres of the land and buildings that had previously been set aside for the Foundation's use. This conveyance provides for the use of the land and buildings in perpetuity, at no cost to the Foundation other than for related maintenance and repairs. The Foundation does not have title to the land or buildings and, accordingly, does not have any rights associated with ownership. The Foundation may only use the land and buildings for equestrian purposes; the character of the property is to remain as it was at the date of the grant, and any alterations or modifications to the existing landscape must be approved by the grantor. This conveyance is not included as a contribution or an asset in the accompanying financial statements.

NOTE J - DONATED GOODS AND SERVICES

Donated goods and services in 2019 and 2018 consisted of the following years ended:

	December 31,	
	2019	2018
Color ads	\$ -	\$ 2,270
Other services	<u>5,010</u>	<u>6,255</u>
	<u>\$ 5,010</u>	<u>\$ 8,525</u>

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2019 and 2018 because of contractual or donor-imposed restrictions or internal designations:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,076,896	\$ 1,486,075
Pledges and contributions receivable	9,410,384	9,245,188
Accrued investment income receivable	40,466	36,273
Investments	<u>15,870,929</u>	<u>12,483,699</u>
Total financial assets available within one year	<u>27,398,675</u>	<u>23,251,235</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	(5,311,465)	(3,429,043)
Restrictions by donors with time restrictions	(4,819,263)	(5,793,558)
Restricted by donors that are perpetual in nature	<u>(9,822,628)</u>	<u>(9,692,489)</u>
Total amounts unavailable for general expenditure within one year	<u>(19,953,356)</u>	<u>(18,915,090)</u>
Amounts unavailable to management without Board approval:		
Board-designated endowment	<u>(4,406,939)</u>	<u>(3,698,793)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,038,380</u>	<u>\$ 637,352</u>

[1] Liquidity policy:

The Foundation's policy is to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. Additionally, the Foundation has Board designated net assets without donor restrictions that, although the Foundation doesn't intend to spend for purposes other than those identified, could be used to help manage unanticipated liquidity needs, if needed.

NOTE L - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Coverage, management believes the Foundation does not face a significant risk of loss on these accounts that might result from the failures of the financial institutions.

UNITED STATES EQUESTRIAN TEAM FOUNDATION, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE M – COMMITMENTS AND CONTINGENCY

[1] Leases:

In 2016, the Foundation entered into 60-month operating lease agreements for office copiers and a postage meter, with annual lease payments of approximately \$8,200 to be made through 2021.

[2] Other contracts:

In the normal course of business, the Foundation enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

[3] Other uncertainty:

The extent of the impact of the coronavirus ("COVID-19") outbreak on the operational and financial performance of the Foundation will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Foundation's services, all of which are highly uncertain and cannot be predicted. If demand for the Foundation's services are impacted for an extended period, results of operations may be materially adversely affected.