

UNITED STATES EQUESTRIAN FEDERATION, INC.
Lexington, Kentucky

FINANCIAL STATEMENTS
November 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United States Equestrian Federation, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of United States Equestrian Federation, Inc., which comprise the statements of financial position as of November 30, 2021 and 2020, and the related statements of activities 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Equestrian Federation, Inc. as of November 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

New York, New York
July 19, 2022

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF FINANCIAL POSITION
November 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,080,110	\$ 8,359,104
Investments (Note 2)	13,869,731	11,345,310
Receivables, net	539,547	1,449,900
Due from USA Equestrian Trust	9,238	13,014
Prepaid expenses and other current assets	<u>884,278</u>	<u>1,400,875</u>
Total current assets	27,382,904	22,568,203
Due from USA Equestrian Trust, less current portion	9,238	13,012
Property and equipment, net (Note 3)	9,798,878	10,296,384
Trophy collection	516,172	516,172
Prepaid expenses, long-term portion	<u>571,413</u>	<u>982,222</u>
Total assets	<u>\$ 38,278,605</u>	<u>\$ 34,375,993</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,135,204	\$ 2,410,895
Current portion of deferred revenue	4,537,875	4,060,262
Grant advance liability (Note 6)	-	1,927,200
Current portion of bonds payable (Note 7)	<u>181,390</u>	<u>173,945</u>
Total current liabilities	7,854,469	8,572,302
Deferred revenue, less current portion	2,741,027	2,915,479
Note payable (Note 5)	-	2,600,000
Bonds payable, less current portion and deferred financing fees (Note 7)	5,733,957	5,918,984
Derivative liability (Note 8)	<u>426,856</u>	<u>714,489</u>
Total liabilities	16,756,309	20,721,254
Net assets		
Without donor restrictions	20,973,526	13,157,291
With donor restrictions	<u>548,770</u>	<u>497,448</u>
Total net assets	<u>21,522,296</u>	<u>13,654,739</u>
Total liabilities and net assets	<u>\$ 38,278,605</u>	<u>\$ 34,375,993</u>

See accompanying notes to financial statements.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF ACTIVITIES
Years ended November 30, 2021
(2020 Total for Comparison Purposes)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and other support				
Membership dues and fees	\$ 11,402,784	\$ -	\$ 11,402,784	\$ 9,614,641
Drugs and medication	5,174,095	-	5,174,095	4,051,479
Sponsorships and royalties	3,062,845	-	3,062,845	2,746,182
Marketing, communications and publications	843,041	-	843,041	586,013
Competition dues, fees and income	3,631,937	-	3,631,937	2,782,185
USET Foundation	160,000	4,000,000	4,160,000	2,560,000
USOC funding	-	1,231,385	1,231,385	1,298,599
Sport programs	1,369,765	-	1,369,765	923,089
Regulations	387,773	-	387,773	312,115
International high performance	163,881	-	163,881	118,445
Contributions	18,600	93,647	112,247	63,521
Paycheck Protection Program forgiveness	1,927,200	-	1,927,200	-
Investment income	308,868	-	308,868	275,753
Net unrealized gain on investments	953,073	-	953,073	815,467
Gain on exchange of laboratory equipment	119,424	-	119,424	119,424
Gain (loss) on interest rate swap	287,633	-	287,633	(271,454)
Other	390,460	-	390,460	373,324
Total revenues, gains and other support	<u>30,201,379</u>	<u>5,325,032</u>	<u>35,526,411</u>	<u>26,368,783</u>
Released from restrictions	5,273,710	(5,273,710)	-	--
Expenses				
Salaries and other employee benefits	8,884,999	-	8,884,999	9,782,367
Professional and temporary fees	220,127	-	220,127	252,207
Office expenses	629,255	-	629,255	595,449
Legal fees	434,768	-	434,768	585,865
Postage	282,725	-	282,725	279,958
Printing	283,660	-	283,660	54,742
Occupancy and utilities	485,944	-	485,944	445,424
Interest	210,666	-	210,666	221,434
Insurance	338,343	-	338,343	371,164
Depreciation and amortization	750,028	-	750,028	776,031
Drugs and medication	2,764,993	-	2,764,993	2,393,482
Travel	814,382	-	814,382	444,760
Meetings and conferences	51,757	-	51,757	37,794
Staff training and support	35,937	-	35,937	29,772
Awards and medals	209,689	-	209,689	217,051
Marketing and communications	1,761,112	-	1,761,112	1,778,225
Clinics	14,856	-	14,856	39,878
Grants	831,670	-	831,670	369,687
Convention and board meeting	185,723	-	185,723	731,567
Sport programs	876,146	-	876,146	686,854
Other administrative and finance costs	1,755,930	-	1,755,930	1,388,012
International high performance	5,808,528	-	5,808,528	2,139,175
Bad debt expense	810	-	810	5,500
Miscellaneous expense	26,806	-	26,806	120,741
Total expenses	<u>27,658,854</u>	<u>-</u>	<u>27,658,854</u>	<u>24,018,593</u>
Change in net assets	7,816,235	51,322	7,867,557	2,621,644
Net assets, beginning of year	<u>13,157,291</u>	<u>497,448</u>	<u>13,654,739</u>	<u>11,033,095</u>
Net assets, end of year	<u>\$ 20,973,526</u>	<u>\$ 548,770</u>	<u>\$ 21,522,296</u>	<u>\$ 13,654,739</u>

See accompanying notes to financial statements.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENT OF ACTIVITIES
Year ended November 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Membership dues and fees	\$ 9,614,641	\$ -	\$ 9,614,641
Drugs and medication	4,051,479	-	4,051,479
Sponsorships and royalties	2,746,182	-	2,746,182
Marketing, communications and publications	586,013	-	586,013
Competition dues, fees and income	2,782,185	-	2,782,185
USET Foundation	160,000	2,400,000	2,560,000
USOPC funding	-	1,298,599	1,298,599
Sport programs	923,089	-	923,089
Regulations	312,115	-	312,115
International High Performance	118,445	-	118,445
Contributions	18,200	45,321	63,521
Investment income	275,753	-	275,753
Net unrealized gain on investments	815,467	-	815,467
Gain on exchange of laboratory equipment	119,424	-	119,424
Other	373,324	-	373,324
Total revenues, gains and other support	<u>22,896,317</u>	<u>3,743,920</u>	<u>26,640,237</u>
Released from restrictions	3,794,765	(3,794,765)	-
Expenses			
Salaries and other employee benefits	9,782,367	-	9,782,367
Professional and temporary fees	252,207	-	252,207
Office expenses	595,449	-	595,449
Legal fees	585,865	-	585,865
Postage	279,958	-	279,958
Printing	54,742	-	54,742
Occupancy and utilities	445,424	-	445,424
Interest	221,434	-	221,434
Insurance	371,164	-	371,164
Depreciation and amortization	776,031	-	776,031
Drugs and medication	2,393,482	-	2,393,482
Travel	444,760	-	444,760
Meetings and conferences	37,794	-	37,794
Staff training and support	29,772	-	29,772
Awards and medals	217,051	-	217,051
Marketing and communications	1,778,225	-	1,778,225
Clinics	39,878	-	39,878
Grants	369,687	-	369,687
Convention and board meeting	731,567	-	731,567
Sport programs	686,854	-	686,854
Other administrative and finance costs	1,388,012	-	1,388,012
International High Performance	2,139,175	-	2,139,175
Bad debt expense	5,500	-	5,500
Loss on interest rate swap	271,454	-	271,454
Miscellaneous expense	120,741	-	120,741
Total expenses	<u>24,018,593</u>	<u>-</u>	<u>24,018,593</u>
Change in net assets	2,672,489	(50,845)	2,621,644
Net assets, beginning of year	<u>10,484,802</u>	<u>548,293</u>	<u>11,033,095</u>
Net assets, end of year	<u>\$ 13,157,291</u>	<u>\$ 497,448</u>	<u>\$ 13,654,739</u>

See accompanying notes to financial statements.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 7,867,557	\$ 2,621,644
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	750,028	779,840
Provision for bad debts	810	5,500
Gain on exchange of laboratory equipment	(119,424)	(119,424)
Net unrealized gain on investments	(953,073)	(815,467)
(Gain) loss on interest rate swap	(287,633)	271,454
Paycheck Protection Program forgiveness	(1,927,200)	-
Change in operating assets and liabilities		
Receivables	909,543	113,502
Due from USA Equestrian Trust	7,550	29,536
Prepaid expenses and other assets	927,406	57,197
Accounts payable and accrued expenses	724,309	(592,594)
Deferred revenue	422,585	663,999
Grant advance liability	-	1,927,200
Net cash from operating activities	<u>8,322,458</u>	<u>4,942,387</u>
Cash flows from investing activities		
Purchases of property and equipment	(248,713)	(188,722)
Purchases of investments	(12,616,841)	(6,628,568)
Proceeds from sale of investments	<u>11,045,493</u>	<u>6,236,087</u>
Net cash from investing activities	(1,820,061)	(581,203)
Cash flows from financing activities		
Payments on bonds payable	(1,781,391)	(173,944)
Payments on line of credit	<u>(1,000,000)</u>	<u>-</u>
Net cash from financing activities	<u>(2,781,391)</u>	<u>(173,944)</u>
Net change in cash and cash equivalents	3,721,006	4,187,240
Cash and cash equivalents, beginning of year	<u>8,359,104</u>	<u>4,171,864</u>
Cash and cash equivalents, end of year	<u>\$ 12,080,110</u>	<u>\$ 8,359,104</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for –		
Interest	\$ 210,666	\$ 207,108
Supplemental disclosure of non-cash operating and investing activities:		
In-kind donations	\$ 160,000	\$ 160,000

See accompanying notes to financial statements.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The United States Equestrian Federation, Inc. (the "Federation") was formed on December 1, 2003. Its purpose is to serve as the National Governing Body ("NGB") of equestrian sports in the United States of America. The Federation provides leadership for equestrian sport in the United States by promoting the pursuit of excellence based on a foundation of fair, safe competition and the welfare of its human and equine athletes.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Federation considers all liquid investments purchased with an original maturity of three months or less, which are not restricted by donor arrangement, to be cash equivalents.

At various times throughout the fiscal year, the Federation had in excess of \$250,000 on deposit with a financial institution whose deposits are federally insured up to \$250,000.

Investments and Investment Income: Investments are stated at fair value based on quoted market prices or dealer quotes. Fair value of investments is subject to significant fluctuations due to market changes. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on investments, interest and dividends, net of investment fees) is included in the change in net assets without donor restriction unless the income or loss is restricted by donor or law.

Receivables: Receivables consist of advertising, contractual agreements and sponsorship payments owed to the Federation at the end of the fiscal year. The allowance for doubtful accounts is based on the Federation's past collection experience, account balances greater than 60 days past due and communication with the organizations. Losses are charged to the allowance when the Federation deems further collection efforts will not produce additional recoveries. The allowance for doubtful accounts was \$50,000 at November 30, 2021 and 2020. Interest is not charged on open accounts.

Due from USA Equestrian Trust: Due from USA Equestrian Trust represents the amount owed to the Federation to fund the life membership deferred income. Life memberships are amortized over a 20-year period beginning in the year in which the membership was received. All amounts are due to be paid in full by 2023.

Trophy Collection: The Federation has an extensive collection of trophies that have been contributed to or purchased by the Federation. This trophy collection is maintained by the Federation for public exhibition in furtherance of membership service. The trophy collection is valued at appraised value, if donated, and cost if purchased by the Federation.

Property and Equipment: Property and equipment, including equipment leased under capital leases, are recorded at cost and are depreciated using the straight-line method over their estimated useful lives, which range from three to forty years. Leasehold improvements are amortized on the straight-line basis over the life of the lease. The Federation has an accounting policy requiring capitalization of all property and equipment purchases that are at least \$1,000.

Deferred Revenue: Deferred revenue represents membership fees which have been received but for which the prescribed services have not yet been performed. These fees include annual memberships as well as life memberships, which are amortized over 20 years. Annual membership fees will be recognized as income in the following fiscal year when services are rendered, whereas the Federation will recognize income on the life membership over 20 years.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2019, the Federation outsourced laboratory testing operations to the University of Kentucky in exchange for their laboratory equipment and credits of \$971,000 toward future testing through November 2024. The carrying value of the equipment was \$326,711, resulting a deferred gain of \$644,229 which will be recognized over the period the credits are provided. The transaction was accounted for as an exchange transaction. The Federation recorded gains of \$119,424 for the years ended November 30, 2021 and 2020.

Deferred Financing Fees: The Federation has capitalized costs relating to its bond financing and will amortize these costs over the life of the bonds using the straight-line method, which approximates the effective interest method when the funding is complete. Deferred financing fees are included as a direct deduction from the carrying amount of the bonds in the accompanying statement of financial position. Amortization of deferred financing fees was \$3,809 for the years ended November 30, 2021 and 2020.

Derivative Financial Instruments: The Federation entered into an interest rate swap agreement, which is a derivative financial instrument. The Federation recognizes derivative instruments as either assets or liabilities at fair value. The change in the fair value of these derivatives is recognized as expenses in the period the change occurs.

Net Assets: Net assets have been classified and reported as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions are related to gifts with explicit donor-imposed restrictions that have not been met as to a specified purpose or time.

The Federation had no donor restrictions of a permanent nature as of November 30, 2021 or 2020.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets are released from restriction when expenses satisfying the restricted purpose are incurred or by occurrence of other events. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions: Contributions received and unconditional promises to give are recorded as net assets without donor restrictions or net assets with donor restrictions revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist. Donor restricted gifts that are received for which their restricted purpose is met during the same year, are initially recorded as net assets with donor restrictions and then reported as net assets released from restrictions and reclassified to net assets without donor restrictions.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocations of Expenses: The majority of expenses can generally be directly identified with the programs or supporting service to which they relate and are charged accordingly. Other categories of expenses are attributable to one or more programs or supporting functions of the Federation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, occupancy and utilities, salaries and other employee benefits, other administrative and finance costs, and marketing and communication, which are allocated based on headcount.

Income Taxes: The Federation is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Federation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code. Since the Federation is publicly-supported, contributions to the Federation qualify for the maximum charitable contribution deduction under the Internal Revenue Code. The Federation is also exempt from state and local income taxes.

Current accounting standards require the Federation to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended November 30, 2021 and 2020, management has determined that the Federation does not have any tax positions that result in any uncertainties regarding the possible impact on the Federation's financial statements. There was no change in this determination during the 2021 fiscal year.

The Federation records any interest and penalties as expense in the period incurred and no amounts have been recorded for the years ended November 30, 2021 and 2020, respectively.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to November 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended November 30, 2021. Management has performed their analysis through July 19, 2022, the date the financial statements were available to be issued.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 2 – FAIR VALUE

Assets and (liabilities) measured at fair value as of November 30 consisted of the following:

	Fair Value Measurements at November 30 Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<u>2021</u>			
Investments			
Fixed income			
Corporate bonds	\$ -	\$ 861,586	\$ 861,586
Government agency bonds	-	961,838	961,838
Mutual funds			
Fixed income	1,481,523	-	1,481,523
Equity	9,862,801	-	9,862,801
REIT	-	-	-
Common stock			
Domestic	701,983	-	701,983
International	-	-	-
Total investments	<u>\$12,046,307</u>	<u>\$ 1,823,424</u>	<u>\$ 13,869,731</u>
Derivative instruments			
Interest rate swap liability	\$ -	\$ (426,856)	\$ (426,856)
<u>2020</u>			
Investments			
Fixed income			
Corporate bonds	\$ -	\$ 1,498,352	\$ 1,498,352
Government agency bonds	-	348,452	348,452
Mutual funds			
Fixed income	1,977,991	-	1,977,991
Equity	6,883,337	-	6,883,337
REIT	51,501	-	51,501
Common stock			
International	585,677	-	585,677
Total investments	<u>\$ 9,498,506</u>	<u>\$ 1,846,804</u>	<u>\$ 11,345,310</u>
Derivative instruments			
Interest rate swap liability	\$ -	\$ (714,489)	\$ (714,489)

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 2 – FAIR VALUE (Continued)

Current guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Federation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized security exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Mutual Funds and Common Stock: The fair values of mutual funds and common stock investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Fixed Income Investments: Fixed income investments are valued based upon recent bid prices or the average of recent bid and asked prices when available (Level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Interest Rate Swap: The Federation has entered into an interest rate swap agreement to manage its interest rate risk. The fair value of the Federation's interest rate swap was estimated utilizing Level 2 inputs. The Federation obtained the fair value from a financial institution who utilizes internal models with observable market data inputs to estimate the value of this instrument (Level 2 inputs).

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
November 30, 2021 and 2020

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at November 30:

	<u>2020</u>	<u>2019</u>
Building	\$ 9,167,151	\$ 9,167,151
Computer equipment	2,611,519	2,446,180
Furniture and fixtures	1,272,785	1,247,818
Office equipment	550,641	492,234
Leasehold improvements	<u>31,950</u>	<u>31,950</u>
	13,634,046	13,385,333
Less accumulated depreciation	<u>(3,835,168)</u>	<u>(3,088,949)</u>
	<u>\$ 9,798,878</u>	<u>\$ 10,296,384</u>

Depreciation expense was \$746,219 and \$776,031 for the years ended November 30, 2021 and 2020, respectively.

NOTE 4 – LINE OF CREDIT

In 2017, the Federation entered into a \$1,000,000 revolving line of credit. The line of credit bears interest at Daily LIBOR Rate plus 2.0% (3.17% at November 30, 2021 and 2020) and matures in September 2022. There were no amounts outstanding on the line of credit at November 30, 2021 and 2020, respectively.

NOTE 5 – NOTE PAYABLE

In connection with the bond financing agreement discussed in Note 7, the Federation also entered into a non-revolving convertible line of credit in December 2017. The Federation could borrow amounts from the line of credit not to exceed an aggregate amount outstanding of \$2,600,000 until the conversion date of August 1, 2019. At the conversion date, the amount outstanding was converted to a note payable. The note payable bears interest at the Daily LIBOR rate plus 1.45% (3.17% at November 30, 2021). Interest only payments are due through August 1, 2024, when all accrued interest and principal shall be due and paid in full. There were outstanding borrowings of \$0 and \$2,600,000 at November 30, 2021 and 2020, respectively. In connection with the line of credit and note payable, the Federation has to comply with certain financial and non-financial covenants. The Federation was in compliance with all of its financial covenants at November 30, 2021. The Federation was not in compliance with all of its non-financial covenants at November 30, 2021 but have received a waiver.

NOTE 6 – PAYCHECK PROTECTION LOAN PROGRAM

On April 15, 2020, the Federation obtained a Paycheck Protection Program (PPP) Loan under a program offered by the United States Small Business Administration (SBA) in the amount of \$1,927,200. The PPP loan has a stated interest rate of 1% if the loan is not forgiven.

The Federation applied for forgiveness and received notice from the SBA that the \$1,927,000 loan was forgiven in full on June 10, 2021. No interest was paid on the loan.

UNITED STATES EQUESTRIAN FEDERATION, INC.
STATEMENTS OF CASHFLOWS
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NOTE 7 – BONDS PAYABLE

In December 2017, the Federation entered into a tax-exempt bond financing agreement for \$6.4 million. The bonds bear interest at 70% of the sum of Daily LIBOR rate plus 1.45% (1.09% and 1.45% at November 30, 2021 and 2020, respectively) and are payable in monthly installments beginning in August 2019 and mature in August 2044. The Federation began making interest only payments in February 2018. The bonds are secured by the office building to be constructed with the bond proceeds. Amounts outstanding under the bonds at November 30 are as follows:

	<u>2021</u>	<u>2020</u>
Bond payable	\$ 6,002,011	\$ 6,183,402
Less current portion of bonds payable	(181,390)	(173,945)
Less deferred financing fees	<u>(86,664)</u>	<u>(90,473)</u>
Long term portion of bonds payable	<u>\$ 5,733,957</u>	<u>\$ 5,918,984</u>

Future maturities due on the bonds payable are as follows:

Fiscal years ending:		
2022	\$	186,903
2023		192,116
2024		197,531
2025		204,053
Thereafter		<u>5,221,408</u>
	<u>\$</u>	<u>6,002,011</u>

In connection with the bonds payable, the Federation has to comply with certain financial and non-financial covenants. Management believes the Federation was in compliance with all of its financial covenants at November 30, 2021. The Federation was not in compliance with all of its non-financial covenants at November 30, 2021 but has received a waiver.

NOTE 8 – INTEREST RATE SWAP

The Federation entered into an interest rate swap to receive market rate interest and pay fixed rate interest to a major financial institution to lock in the Federation's interest rate paid on the bonds payable. The variable interest on the bonds will be hedged by the interest rate swap. Net interest payments will be effectively fixed at the interest rate of 2.98%. The interest rate swap has a total notional amount of \$6,400,000. Under this agreement, the Federation will pay a fixed interest of 1.965% and receives a rate based on the LIBOR index multiplied by 0.7. The agreement terminates in August 2029.

The Federation intends to hold the interest rate swap until the termination date. The interest rate swap is considered a derivative and is recognized on the statement of financial position at fair value. Changes in the fair value of the derivative are reported separately in the expense section on the statement of activities.

The fair value of the swap agreement is reflected in the statement of financial position as a long-term liability of \$426,856 and \$714,489 at November 30, 2021 and 2020, respectively.

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NOTE 9 – OPERATING LEASES

The Federation leases office space in Columbus, Ohio with monthly rent ranging from approximately \$3,200 to \$3,400 for up to 10 years expiring in 2030. The lease has incremental increases in rent occurring every year as set in the agreement. The Federation also leases several pieces of office equipment in Lexington, Kentucky and Columbus, Ohio with monthly rent ranging from \$162 to \$2,991 for up to 60 months expiring at various dates through 2022. In September 2019, the Federation entered into a ground lease with the Kentucky Horse Park with monthly rent of \$1,000 for the first five years. Rent increases at 1% each year thereafter until expiration of the 80 year lease.

Future minimum rental obligations under non-cancelable operating leases as of November 30, 2021 are as follows:

Year ending November 30,	<u>Office Space</u>	<u>Equipment</u>	<u>Ground</u>	<u>Total</u>
2022	\$ 36,672	\$ 37,038	\$ 12,241	\$ 85,951
2023	36,672	32,912	12,364	81,948
2024	36,672	-	12,487	49,159
2025	36,672	-	12,612	49,284
2026	36,672	-	12,738	49,410
Thereafter	<u>146,688</u>	<u> </u>	<u>1,214,550</u>	<u>1,361,238</u>
	<u>\$ 330,048</u>	<u>\$ 69,950</u>	<u>\$ 1,276,992</u>	<u>\$ 1,676,990</u>

Rent expense, excluding real estate taxes, insurance and repair costs, for the years ended November 30, 2021 and 2020 was \$126,699 and \$106,605, respectively.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of \$548,770 and \$497,448 for the years ended November 30, 2021 and 2020, respectively, represent funds restricted by donors primarily for the Federation's Disaster Relief Program and International team training.

Net assets of \$5,273,710 and \$3,794,765 for the years ended November 30, 2021 and 2020, respectively, have been released from net assets with donor restrictions as a result of satisfying restrictions imposed by the donor or grantor.

NOTE 11 – RETIREMENT PLAN

The Federation has a defined contribution 401(k) plan, which covers all employees who meet certain eligibility requirements and elect to participate. The Federation considers a discretionary match of its employee 401(k) contributions on an annual basis. In 2021 and 2020, the Federation contributed thirty percent (30%) of the first ten percent (10%) contributed by its employees to the Plan. The employer match for the years ended November 30, 2021 and 2020 was \$116,756 and \$108,389, respectively.

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NOTE 12 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

The Federation is involved in certain litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Federation's financial position or future results from operations.

NOTE 13 – RELATED PARTY TRANSACTIONS

The United States Equestrian Team Foundation (USET Foundation) provides office space at no cost to the Federation and the fair value of the rent for the years ended November 30, 2021 and 2020 was \$160,000. The USET Foundation is an independently governed 501(c)(3) entity and a member of the Federation. In 2021 and 2020, the USET Foundation granted \$4,000,000 and \$2,400,000, respectively, to fund the International High-Performance Program. At November 30, 2021 and 2020, the Federation had a receivable from the USET Foundation for \$0 and \$700,000, respectively, which is included in receivables in the statement of financial position.

NOTE 14 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position as of November 30, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,080,110	\$ 8,359,104
Investments	13,869,731	11,345,310
Receivables, net of allowance	<u>539,547</u>	<u>1,449,900</u>
	<u>\$ 26,489,388</u>	<u>\$ 21,154,314</u>

As part of its liquidity management plan, the Federation structures financial assets to be available as the general expenditures, liabilities and other obligations become due. The Federation has donor restricted net assets of \$548,770 and \$497,448 at November 30, 2021 and 2020, respectively, limited to specified purposes that management asserts will qualify as general expenditures within one year in the normal course of operations. Therefore, these purpose restricted assets are considered available.

To help manage unanticipated liquidity needs, a committed line of credit of \$1,000,000 can be drawn upon (see Note 4).

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NOTE 15 – SCHEDULE OF FUNCTIONAL EXPENSES

Expenses by function and purpose are summarized below:

	2021						
	Sport Programs	Fairness Safety, and Welfare	Member Services	Grants	Total Program Services	Total Supporting Services	Total
Salaries and other employee benefits	\$ 2,715,995	\$ 1,454,758	\$ 2,454,417	\$ -	\$ 6,625,170	\$ 2,309,180	\$ 8,934,350
Professional and temporary fees	60,452	62,722	61,027	-	184,201	189,500	373,701
Occupancy and utilities	261,071	99,333	48,579	-	408,983	99,925	508,908
Depreciation	202,101	124,370	233,193	-	559,664	186,555	746,219
Legal fees	68,610	72,031	86,088	-	226,729	208,040	434,769
Interest	58,087	35,746	67,023	-	160,856	53,619	214,475
Insurance	116,665	50,669	95,005	-	262,339	76,004	338,343
Office expense and supplies	68,873	39,914	150,058	-	258,845	144,007	402,852
Travel, meetings and conferences	130,211	256,527	74,445	-	461,183	254,328	715,511
Information technology	141,965	87,363	163,806	-	393,134	131,045	524,179
Other administrative and finance costs	60,472	38,389	504,932	-	603,793	129,528	733,321
Gifts and grants	81,523	192	1,374	44,000	127,089	813	127,902
Marketing and communication	154,834	95,282	178,654	-	428,770	1,715,081	2,143,851
Banned substance collection, testing	-	2,884,416	-	-	2,884,416	-	2,884,416
FEI sport training and selection	7,883,643	-	-	-	7,883,643	-	7,883,643
Non-FEI sport training and selection	42,837	11,741	497,177	-	551,755	-	551,755
Awards	9,156	-	116,631	-	125,787	-	125,787
Education clinics	-	14,856	-	-	14,856	-	14,856
Miscellaneous	(215)	(132)	(248)	-	(595)	(199)	(794)
Bad debt expense	219	135	253	-	607	203	810
Total expenses	\$ 12,056,499	\$ 5,328,312	\$ 4,732,414	\$ 44,000	\$ 22,161,225	\$ 5,497,629	\$ 27,658,854
	2020						
	Sport Programs	Fairness Safety, and Welfare	Member Services	Grants	Total Program Services	Total Supporting Services	Total
Salaries and other employee benefits	\$ 2,867,651	\$ 1,622,582	\$ 2,938,412	\$ -	\$ 7,428,645	\$ 2,379,291	\$ 9,807,936
Professional and temporary fees	41,428	29,769	37,702	-	108,899	143,308	252,207
Occupancy and utilities	239,768	94,533	34,868	-	369,169	75,751	444,920
Depreciation	171,881	120,060	246,809	-	538,750	237,281	776,031
Legal fees	86,041	150,449	107,753	-	344,243	241,442	585,685
Interest	53,526	35,690	76,860	-	166,076	55,358	221,434
Insurance	95,614	83,009	74,765	-	253,388	117,776	371,164
Office expense and supplies	58,668	31,539	138,655	-	228,862	206,583	435,445
Travel, meetings and conferences	299,707	89,831	105,064	-	494,602	718,355	1,212,957
Information technology	116,162	77,453	166,802	-	360,417	120,196	480,613
Other administrative and finance costs	159,896	177,322	1,012,124	-	1,349,342	244,869	1,594,211
Gifts and grants	78,629	1,863	135	49,658	130,285	224	130,509
Marketing and communication	120,833	80,569	173,511	-	374,913	1,499,650	1,874,563
Banned substance collection, testing	-	2,393,627	-	-	2,393,627	-	2,393,627
FEI sport training and selection	3,117,442	-	-	-	3,117,442	-	3,117,442
Non-FEI sport training and selection	17,681	-	-	-	17,681	-	17,681
Awards	1,076	-	135,122	-	136,198	-	136,198
Education clinics	-	39,877	-	-	39,877	-	39,877
Miscellaneous	26,534	19,062	38,101	-	83,697	36,896	120,593
Bad debt expense	355	236	509	-	1,100	4,400	5,500
Total expenses	\$ 7,552,892	\$ 5,047,471	\$ 5,287,192	\$ 49,658	\$ 17,937,213	\$ 6,081,380	\$ 24,018,593