



UNITED STATES EQUESTRIAN FEDERATION, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2023 AND 2022

# UNITED STATES EQUESTRIAN FEDERATION, INC.

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## REPORT OF INDEPENDENT AUDITORS

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

### Opinion

We have audited the accompanying financial statements of the United States Equestrian Federation, Inc. ("USEF"), a nonprofit organization, which comprise the statements of financial position as of November 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USEF as of November 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, USEF adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

### 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 USEF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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 auditor's 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 generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 USEF'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the USEF'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.

*Blue & Co., LLC*

Lexington, Kentucky

July 9, 2024

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENTS OF FINANCIAL POSITION NOVEMBER 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,839,676	\$ 9,733,724
Investments	17,424,995	14,815,645
Receivables, net	2,570,750	1,758,135
Due from USA Equestrian Trust	9,238	9,238
Prepaid expenses and other current assets	1,773,676	815,107
Total current assets	28,618,335	27,131,849
Property and equipment, net	9,135,992	9,096,259
Other assets		
Trophy collection	516,172	516,172
Trademarks	46,929	-
Prepaid expenses, long-term portion	26,037	298,725
Total other assets	589,138	814,897
<b>Total assets</b>	\$ 38,343,465	\$ 37,043,005
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,545,926	\$ 3,260,612
Current portion of operating lease liabilities	46,791	-
Current portion of deferred revenue	3,445,269	4,505,069
Current portion of bonds payable	197,531	192,116
Total current liabilities	6,235,517	7,957,797
Operating lease liabilities, less current portion	646,678	-
Deferred revenue, less current portion	4,467,764	2,563,537
Bonds payable, less current portion and deferred financing fees	5,350,226	5,540,138
Derivative liability	332,299	399,201
Total liabilities	17,032,484	16,460,673
Net assets:		
Without donor restrictions	20,618,680	20,021,558
With donor restrictions	692,301	560,774
Total net assets	21,310,981	20,582,332
<b>Total liabilities and net assets</b>	\$ 38,343,465	\$ 37,043,005

See accompanying notes to the financial statements.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED NOVEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Membership dues and fees	\$ 10,027,720	\$ -	\$ 10,027,720
Drugs and medication	5,997,846	-	5,997,846
Sponsorships and royalties	2,454,687	-	2,454,687
Contributed nonfinancial assets	757,509	-	757,509
Marketing, communications and publications	1,757,362	-	1,757,362
Competition dues, fees and income	5,357,560	-	5,357,560
USET Foundation	-	3,100,000	3,100,000
USOPC funding	-	1,534,801	1,534,801
Sport programs	627,172	-	627,172
Regulations	290,770	-	290,770
International high performance	2,970,451	-	2,970,451
Contributions	2,700	116,562	119,262
Investment Income	550,711	-	550,711
Net unrealized gain on investments	631,359	-	631,359
Gain (loss) on disposal of fixed assets	119,424	-	119,424
Gain (loss) on interest swap rate	66,902	-	66,902
Other	368,995	-	368,995
Total revenues, gains and other support	31,981,168	4,751,363	36,732,531
Released from restrictions	4,619,836	(4,619,836)	-
Expenses			
Program services			
Sport programs	15,707,844	-	15,707,844
Fairness, safety, and welfare	6,999,585	-	6,999,585
Member services	5,482,752	-	5,482,752
Grants	256,488	-	256,488
Total program services	28,446,669	-	28,446,669
Supporting services	7,557,213	-	7,557,213
Total expenses	36,003,882	-	36,003,882
<b>Change in net assets</b>	597,122	131,527	728,649
<b>Net assets, beginning of year</b>	20,021,558	560,774	20,582,332
<b>Net assets, end of year</b>	\$ 20,618,680	\$ 692,301	\$ 21,310,981

See accompanying notes to the financial statements.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED NOVEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>			
Membership dues and fees	\$ 10,681,437	\$ -	\$ 10,681,437
Drugs and medication	5,839,726	-	5,839,726
Sponsorships and royalties	2,234,954	-	2,234,954
Contributed nonfinancial assets	685,000	-	685,000
Marketing, communications and publications	1,670,394	-	1,670,394
Competition dues, fees and income	5,416,349	-	5,416,349
USET Foundation	-	3,000,000	3,000,000
USOPC funding	-	1,578,030	1,578,030
Sport programs	505,058	-	505,058
Regulations	153,204	-	153,204
International high performance	2,165,880	-	2,165,880
Contributions	11,341	160,723	172,064
Investment Income	515,755	-	515,755
Net unrealized loss on investments	(1,512,217)	-	(1,512,217)
Gain (loss) on disposal of fixed assets	(111,715)	-	(111,715)
Gain (loss) on interest swap rate	27,655	-	27,655
Other	233,146	-	233,146
Total revenues, gains and other support	28,515,967	4,738,753	33,254,720
Released from restrictions	4,726,749	(4,726,749)	-
<b>Expenses</b>			
Program services			
Sport programs	14,518,642	-	14,518,642
Fairness, safety, and welfare	6,749,976	-	6,749,976
Member services	4,996,444	-	4,996,444
Grants	197,207	-	197,207
Total program services	26,462,269	-	26,462,269
Supporting services	7,732,415	-	7,732,415
Total expenses	34,194,684	-	34,194,684
<b>Change in net assets</b>	(951,968)	12,004	(939,964)
<b>Net assets, beginning of year</b>	20,973,526	548,770	21,522,296
<b>Net assets, end of year</b>	\$ 20,021,558	\$ 560,774	\$ 20,582,332

See accompanying notes to the financial statements.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED NOVEMBER 30, 2023

	Sport Programs	Fairness, Safety, and Welfare	Member Services	Grants	Total Program Services	Total Supporting Services	Total
Salaries and other employee benefits	\$ 3,671,993	\$ 2,160,608	\$ 3,046,659	\$ -	\$ 8,879,260	\$ 3,174,738	\$ 12,053,998
Professional and temporary fees	110,863	98,117	101,653	-	310,633	259,053	569,686
Occupancy and utilities	324,359	150,262	107,149	-	581,770	102,132	683,902
Depreciation	180,750	129,107	206,572	-	516,429	177,751	694,180
Legal fees	124,931	131,886	142,778	-	399,595	358,169	757,764
Interest	47,484	33,917	54,267	-	135,668	45,223	180,891
Insurance	123,862	112,933	99,264	-	336,059	84,162	420,221
Office expense and supplies	92,949	29,523	146,019	-	268,491	218,126	486,617
Travel, meetings and conferences	2,043,373	154,014	86,780	-	2,284,167	577,568	2,861,735
Information technology	191,840	137,029	219,246	-	548,115	182,705	730,820
Other administrative and finance costs	217,769	155,038	373,651	-	746,458	257,685	1,004,143
Gifts and grants	123,019	38,595	2,397	156,488	320,499	2,916	323,415
Marketing and communication	223,668	177,526	211,643	-	612,837	2,116,052	2,728,889
Banned substance collection, testing	-	3,426,833	-	100,000	3,526,833	-	3,526,833
FEI sport training and selection	8,084,522	401	615,885	-	8,700,808	-	8,700,808
Non-FEI sport training and selection	32,410	13,267	-	-	45,677	-	45,677
Awards	114,017	-	68,752	-	182,769	-	182,769
Education clinics	-	50,505	-	-	50,505	-	50,505
Miscellaneous	35	24	37	-	96	33	129
Bad debt expense	-	-	-	-	-	900	900
Total expenses	<u>\$ 15,707,844</u>	<u>\$ 6,999,585</u>	<u>\$ 5,482,752</u>	<u>\$ 256,488</u>	<u>\$ 28,446,669</u>	<u>\$ 7,557,213</u>	<u>\$ 36,003,882</u>

See accompanying notes to the financial statements.



# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED NOVEMBER 30, 2022

	Sport Programs	Fairness, Safety, and Welfare	Member Services	Grants	Total Program Services	Total Supporting Services	Total
Salaries and other employee benefits	\$ 3,432,907	\$ 1,990,180	\$ 3,004,791	\$ -	\$ 8,427,878	\$ 3,187,709	\$ 11,615,587
Professional and temporary fees	51,782	63,683	52,013	-	167,478	324,423	491,901
Occupancy and utilities	304,027	140,341	93,765	-	538,133	86,876	625,009
Depreciation	163,565	116,832	186,931	-	467,328	164,624	631,952
Legal fees	54,409	72,337	62,182	-	188,928	157,990	346,918
Interest	45,919	32,799	52,478	-	131,196	47,541	178,737
Insurance	104,644	98,538	78,929	-	282,111	103,729	385,840
Office expense and supplies	67,873	27,447	140,007	-	235,327	150,319	385,646
Travel, meetings and conferences	1,755,142	106,805	85,819	-	1,947,766	541,059	2,488,825
Information technology	169,414	121,010	193,616	-	484,040	161,346	645,386
Other administrative and finance costs	168,982	119,208	221,763	-	509,953	450,582	960,535
Gifts and grants	121,125	7,983	5,684	197,207	331,999	8,484	340,483
Marketing and communication	244,781	192,619	234,511	-	671,911	2,337,607	3,009,518
Banned substance collection, testing	-	3,594,065	-	-	3,594,065	-	3,594,065
FEI sport training and selection	7,594,990	87	582,053	-	8,177,130	-	8,177,130
Non-FEI sport training and selection	45,881	9,639	-	-	55,520	-	55,520
Awards	191,533	-	-	-	191,533	-	191,533
Education clinics	-	55,212	-	-	55,212	-	55,212
Miscellaneous	854	610	972	-	2,436	826	3,262
Bad debt expense	814	581	930	-	2,325	9,300	11,625
Total expenses	<u>\$ 14,518,642</u>	<u>\$ 6,749,976</u>	<u>\$ 4,996,444</u>	<u>\$ 197,207</u>	<u>\$ 26,462,269</u>	<u>\$ 7,732,415</u>	<u>\$ 34,194,684</u>

See accompanying notes to the financial statements.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED NOVEMBER 30, 2023 AND 2022

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 728,649	\$ (939,964)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	701,800	635,760
Provision for bad debts	900	11,625
(Gain) loss on disposal of fixed assets	(119,424)	111,715
Net unrealized (gain) loss on investments	(631,359)	1,512,217
(Gain) loss on interest rate swap	(66,902)	(27,655)
Changes in operating assets and liabilities:		
Receivables	(813,515)	(1,230,213)
Due from USA Equestrian Trust	-	9,238
Prepaid expenses and other assets	(732,810)	341,859
Right-of-use asset under operating lease, net	(693,469)	-
Accounts payable and accrued expenses	(714,686)	125,408
Deferred revenue	962,550	(214,105)
Operating lease liability	693,469	-
Net cash flows from operating activities	(684,797)	335,885
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(46,763)	(41,046)
Purchases of investments	(3,468,122)	(5,724,675)
Proceeds from sale of investments	1,490,131	3,266,544
Net cash flows from investing activities	(2,024,754)	(2,499,177)
<b>Cash flows from financing activities:</b>		
Payments on bonds payable	(184,497)	(183,094)
Net cash from financing activities	(184,497)	(183,094)
Net change in cash and cash equivalents	(2,894,048)	(2,346,386)
Cash and cash equivalents, beginning of year	9,733,724	12,080,110
<b>Cash and cash equivalents, end of year</b>	\$ 6,839,676	\$ 9,733,724
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest expense	\$ 173,271	\$ 174,928
<b>Supplemental disclosure of non-cash operating and investing activities:</b>		
Contributed nonfinancial assets	\$ 757,509	\$ 685,000

See accompanying notes to the financial statements.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of United States Equestrian Federation, Inc. , (USEF) is presented to assist in understanding the USEF's financial statements. The financial statements and notes are representations of the USEF's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### Nature of Organization

USEF 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. USEF 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 of the USEF have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, USEF considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

At various times throughout the fiscal year, USEF 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. The fair value of fund of funds is based on the fair value of the underlying marketable securities determined by the individual manager of the fund of funds. 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.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### Accounts Receivable (Contract Receivable)

Receivables consist of advertising, contractual agreements and sponsorship payments owed to USEF at the end of the fiscal year. The allowance for doubtful accounts is based on USEF's past collection experience, account balances greater than 60 days past due and communication with the organizations. Losses are charged to the allowance when USEF deems further collection efforts will not produce additional recoveries. The allowance for doubtful accounts was \$30,124 and \$34,950 at November 30, 2023 and 2022, respectively. The balance of receivables on December 1, 2021 was \$548,785.

### Due from USA Equestrian Trust

Due from USA Equestrian Trust represents the amount owed to USEF 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

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

### Trademarks

Management has determined that the trademarks have indefinite lives. According to ASC 350, an intangible asset with an indefinite life is not amortized. ASC 350 requires an intangible asset with an indefinite life to be evaluated annually to determine whether the amount reflected on the statement of financial position as an asset has been impaired. In management's opinion, there has been no impairment to the value of the recorded trademarks during 2023.

### 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. USEF has an accounting policy requiring capitalization of all property and equipment purchases that are at least \$5,000.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 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 USEF will recognize income on the life membership over 20 years.

### Deferred Financing Fees

USEF 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, 2023 and 2022.

### Derivative Financial Instruments

USEF entered into an interest rate swap agreement, which is a derivative financial instrument. USEF 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 specific purpose or time.

USEF had no donor restrictions of a permanent nature as of November 30, 2023 or 2022. 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.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 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.

### 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 USEF. 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. USEF's supporting services expenses primarily relate to management and general expenses.

### Income Taxes

USEF 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, USEF has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code. Since USEF is publicly-supported, contributions to USEF qualify for the maximum charitable contribution deduction under the Internal Revenue Code. USEF is also exempt from state and local income taxes.

Current accounting standards require USEF 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, 2023 and 2022, management has determined that USEF does not have any tax positions that result in any uncertainties regarding the possible impact on USEF's financial statements. There was no change in this determination during the 2023 fiscal year.

USEF records any interest and penalties as expense in the period incurred and no amounts have been recorded for the years ended November 30, 2023 and 2022, respectively.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 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.

### Recently Issued Accounting Standard

On June 17, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (Topic 326). This new standard, which USEF is required to adopt during its year ended November 30, 2024, is intended to improve financial reporting about expected credit losses on financial assets by requiring entities to use the new current expected credit loss approach that will generally result in earlier recognition of allowances for credit losses. The standard also requires a formal process to estimate current expected credit losses and will require specific, supporting calculations of the allowance for doubtful accounts supported by the formal process.

USEF is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

### Reclassifications

Certain amounts from the 2022 financial statements have been reclassified to conform to 2023. Reclassifications had no impact on net assets or changes in net assets as previously reported.

### Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to November 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended November 30, 2023. Management has performed their analysis through July 9, 2024, the date the financial statements were available to be issued.

## **2. CHANGE IN ACCOUNTING PRINCIPLE**

On December 1, 2022, the USEF adopted the new lease accounting standard issued by the FASB and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's balance sheet.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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The USEF applied the modified retrospective approach to all lease agreements when adopting ASC 842. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of December 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the statement of financial position but did not have a significant impact on the statement of activities and changes in net assets and the statement of cash flows. As of December 1, 2022, the USEF's total assets and total liabilities increased by \$739,217 as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

USEF elected the available practical expedients to account for its existing operating leases under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, the USEF elected the hindsight practical expedient to determine the lease term for existing leases.

### 3. FAIR VALUE MEASUREMENTS

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 USEF'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.



# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 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).

### 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).

### Fund of Funds

Valued at the net asset value (NAV) of units of the fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the nature of the investments held by the fund, changes in market conditions and the economic environment may significantly impact the net asset value of the fund and, consequently, the fair value of USEF's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if USEF were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

### Interest Rate Swap

USEF has entered into an interest rate swap agreement to manage its interest rate risk. The fair value of USEF's interest rate swap was estimated utilizing Level 2 inputs. USEF 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.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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

	2023			
	Level 1	Level 2	Level 3	Total
Fixed Income				
Corporate bonds	\$ -	\$ 421,271	\$ -	\$ 421,271
Government agency bonds	-	2,193,290	-	2,193,290
Mutual funds				
Fixed income	3,098,200	-	-	3,098,200
Equity	7,729,104	-	-	7,729,104
Alternative funds	533,555	-	-	533,555
Common stock				
Domestic	2,225,567	-	-	2,225,567
Total assets in the fair value hierarchy	<u>\$ 13,586,426</u>	<u>\$ 2,614,561</u>	<u>\$ -</u>	<u>16,200,987</u>
Fund of funds (a)				1,224,008
Total investments at fair value				<u>\$ 17,424,995</u>
Derivative instruments				
Interest rate swap liability	\$ -	\$ (332,299)	\$ -	\$ (332,299)
	2022			
	Level 1	Level 2	Level 3	Total
Fixed Income				
Corporate bonds	\$ -	\$ 633,146	\$ -	\$ 633,146
Government agency bonds	-	875,203	-	875,203
Mutual funds				
Fixed income	2,659,036	-	-	2,659,036
Equity	7,227,832	-	-	7,227,832
Alternative funds	678,423	-	-	678,423
Common stock				
Domestic	2,067,866	-	-	2,067,866
Total assets in the fair value hierarchy	<u>\$ 12,633,157</u>	<u>\$ 1,508,349</u>	<u>\$ -</u>	<u>14,141,506</u>
Fund of funds (a)				674,139
Total investments at fair value				<u>\$ 14,815,645</u>
Derivative instruments				
Interest rate swap liability	\$ -	\$ (399,201)	\$ -	\$ (399,201)

- (a) In accordance with Subtopic 820-10, certain investments measured at NAV (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table permit reconciliation of the fair value hierarchy to items in the statement of financial position.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

### Investments Measured Using the Net Asset Value per Share Practical Expedient

The following tables summarize investments measured at fair value based on net asset value (NAV) per share as of November 30:

2023	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fund of funds	\$ 1,224,008	None	Quarterly	12 months

  

2022	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fund of funds	\$ 674,139	None	Quarterly	12 months

USEF holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at November 30:

	2023	2022
Building	\$ 9,138,865	\$ 9,138,865
Computer equipment	2,766,286	2,587,189
Furniture and fixtures	1,278,480	1,197,510
Right-of-use assets under operating leases	739,217	-
Office equipment	394,562	394,562
Leasehold improvements	31,950	31,950
Construction in progress	-	213,304
	14,349,360	13,563,380
Less accumulated depreciation and amortization	(5,213,368)	(4,467,121)
	\$ 9,135,992	\$ 9,096,259

Depreciation expense was \$694,181 and \$631,951 for the years ended November 30, 2023 and 2022, respectively.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 5. LINES OF CREDIT

In 2017, USEF entered into a \$1,000,000 revolving line of credit. The line of credit bears interest at the Secured Overnight Financing Rate (SOFR) plus 2.1% (3.17% and 3.48% at November 30, 2023 and 2022, respectively), was secured by investments, and matures in September 2024. There were no amounts outstanding on the line of credit at November 30, 2023 and 2022, respectively.

In connection with the bond financing agreement discussed in Note 6, USEF also entered into a non-revolving convertible line of credit in December 2017. USEF 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. The non-revolving convertible line of credit was terminated on March 29, 2022.

In connection with the above lines of credit, USEF has to comply with certain financial and non-financial covenants. USEF believes it was in compliance with all of its financial and non-financial covenants at November 30, 2023.

### 6. CONTRACT LIABILITY (DEFERRED INCOME)

In 2019, USEF 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 \$644,289 which will be recognized over the period the credits are provided. The transaction was accounted for as an exchange transaction. USEF recorded gains of \$119,424 for the years ended November 30, 2023 and 2022.

Contract liabilities are reflected as deferred income in the accompanying statements of financial position. The following table provides information about significant changes in contract liabilities for the years ended November 30, 2023 and 2022:

	2023	2022
Deferred revenue, beginning of year	\$ 7,068,606	\$ 7,278,902
Revenue recognized during the year	(3,489,800)	(5,923,413)
Increase due to cash received during the year	4,334,227	5,713,117
Deferred revenue, end of year	<u>\$ 7,913,033</u>	<u>\$ 7,068,606</u>

Deferred income consists of the following at November 30, 2023 and 2022:

	2023	2022
Prepaid annual memberships	\$ 4,563,596	\$ 4,037,695
Prepaid lifetime memberships	1,973,247	1,781,639
Other prepayments and advanced registrations	1,376,190	1,249,272
	<u>\$ 7,913,033</u>	<u>\$ 7,068,606</u>

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# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 7. BONDS PAYABLE

In December 2017, USEF entered into a tax-exempt bond financing agreement for \$6.4 million. On December 15, 2022, USEF entered into Amendment No. 1 to the Bond Purchase Agreement. Under the terms of the amendment to cover the anticipated change from LIBOR to SOFR, on the Benchmark Replacement Date the interest rate changed to the sum of SOFR, and the related Benchmark Replacement Adjustment as defined in the amendment (4.81% and 3.89% at November 30, 2023 and 2022, respectively).

The bonds are payable in monthly installments beginning in August 2019 and mature in August 2044. The bonds are subject to a mandatory tender for purchase by USEF on September 1, 2024, and each fifth September 1 thereafter. Waiver of mandatory tender was received from the holder on January 29, 2024. USEF began making interest only payments in February 2018. The bonds are secured by the office building constructed with the bond proceeds, which had a net book value of \$7,725,620 and \$8,065,035 as of November 30, 2023 and 2022, respectively.

Amounts outstanding under the bonds at November 30 are as follows:

	2023	2022
Bond payable	\$ 5,622,992	\$ 5,815,108
Less current portion of bonds payable	(197,531)	(192,116)
Less deferred financing fees	(75,235)	(82,854)
Long term portion of bonds payable	<u>\$ 5,350,226</u>	<u>\$ 5,540,138</u>

Future maturities due on the bonds payable are as follows:

Fiscal years ending:	
2024	\$ 197,531
2025	204,053
2026	209,469
2027	217,179
2028	223,385
Thereafter	<u>4,571,375</u>
	<u>\$ 5,622,992</u>

In connection with the bonds payable, USEF has to comply with certain financial and non-financial covenants. USEF believes it was in compliance with all of its financial and non-financial covenants at November 30, 2023.

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# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 8. INTEREST RATE SWAP

USEF entered into an interest rate swap to receive market rate interest and pay fixed rate interest to a major financial institution to lock in USEF'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.

On December 15, 2022, USEF entered into an amendment to the interest rate swap agreement in anticipation of the change from LIBOR to SOFR. Under the terms of the new agreement USEF will pay a fixed interest of 1.965% and receives a rate based on the Fallback Rate SOFR plus the most recently published Fallback Spread Adjustment as defined in the agreement. The agreement terminates in August 2029.

USEF 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 revenue, gains, and other support section on the statement of activities and changes in net assets.

The fair value of the swap agreement is reflected in the statement of financial position as a long-term liability of \$332,299 and \$399,201 at November 30, 2023 and 2022, respectively.

### 9. LEASES

The USEF recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The USEF has operating leases for office space in Columbus, OH, various pieces of office equipment, and a ground lease with the Kentucky Horse Park. Leasing arrangements required fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Company's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 4 to 75 years.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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The USEF's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The USEF utilizes its collateralized risk-free rate commensurate to the lease term as the discount rate for its leases unless the USEF can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components. The USEF has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the USEF's short-term leases relate to office equipment.

In evaluating contracts to determine if they qualify as a lease, the USEF considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the USEF can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the USEF assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of USEF's lease cost for the year ended November 30, 2023 is as follows:

Operating lease cost	\$	67,565
Short-term lease expense		191,414
Total lease expense	\$	<u>258,979</u>

Additional information regarding cash payments under USEF's operating and finance leases during 2023, as well as the inputs used in determining the ROU assets and liabilities at November 30, 2023, is as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	61,246
Weighted-average remaining lease term		66.7 years
Weighted-average discount rate		2.32%

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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Future payments of lease liabilities at November 30, 2023 are as follows:

Year ending November 30,		
2024	\$	62,081
2025		38,421
2026		21,316
2027		15,409
2028		12,518
Thereafter		<u>1,291,898</u>
Total lease payments		1,441,643
Less: interest		<u>(748,174)</u>
Present value of lease liabilities	\$	<u><u>693,469</u></u>

Future minimum lease payments under operating leases having initial terms in excess of one year at November 30, 2022, under previous accounting guidance under ASC 840, are as follows:

Year ending November 30,		
2023	\$	92,595
2024		62,013
2025		41,866
2026		21,316
2027		15,410
Thereafter		<u>1,304,417</u>
	\$	<u><u>1,537,617</u></u>



# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 10. CONTRIBUTED NONFINANCIAL ASSET

For the years ended November 30, contributions of nonfinancial assets recognized in the statement of activities included:

	2023	2022
Rent	\$ 160,000	\$ 160,000
Clothing	200,655	218,375
Promotional Items	-	24,325
Awards	82,450	-
Equipment	49,604	19,500
Food and beverage	5,000	-
Airfare	130,000	110,000
Equine supplies	129,800	152,800
	<u>\$ 757,509</u>	<u>\$ 685,000</u>

Gifts-in-kind are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. All gifts-in-kind are unrestricted. The USEF does not sell donated gifts-in-kind.

### 11. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of \$692,301 and \$560,744 for the years ended November 30, 2023 and 2022, respectively, represent funds restricted by donors primarily for USEF's Disaster Relief Program and International team training.

Net assets of \$4,619,836 and \$4,726,749 for the years ended November 30, 2023 and 2022, respectively, have been released from net assets with donor restrictions as a result of satisfying restrictions imposed by the donor or grantor.

### 12. RETIREMENT PLAN

USEF has a defined contribution 401(k) plan, which covers all employees who meet certain eligibility requirements and elect to participate. USEF considers a discretionary match of its employee 401(k) contributions on an annual basis. In 2023 and 2022, USEF contributed thirty percent (30%) of amounts contributed by its employees to the plan, up to a maximum 10% of employee pay. The employer match for the years ended November 30, 2023 and 2022 was \$239,648 and \$213,876, respectively.

# UNITED STATES EQUESTRIAN FEDERATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 30, 2023 AND 2022

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### 13. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

USEF 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 USEF's financial position or future results from operations.

### 14. RELATED PARTY TRANSACTIONS

The United States Equestrian Team Foundation (USET Foundation) provides office space at no cost to USEF and the fair value of the rent for the years ended November 30, 2023 and 2022 was \$160,000. The USET Foundation is an independently governed 501(c)(3) entity and a member of USEF. In 2023 and 2022, the USET Foundation granted \$3,100,000 and \$3,000,000, respectively, to fund the International High-Performance Program.

In 2023, expenses of \$268,928 were paid to members of the Board of Directors and staff for event support, officer stipends, national clinic expenses, travel reimbursement and other out of pocket expenses.

### 15. 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:

	2023	2022
Cash and cash equivalents	\$ 6,839,676	\$ 9,733,724
Investments	17,424,995	14,815,645
Receivables, net of allowance	2,570,750	1,758,135
	<u>\$ 26,835,421</u>	<u>\$ 26,307,504</u>

As part of its liquidity management plan, USEF structures financial assets to be available as the general expenditures, liabilities and other obligations become due. USEF has donor restricted net assets of \$692,301 and \$560,774 at November 30, 2023 and 2022, 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.