FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

THE UNITED STATES PONY CLUBS, INC.

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CPAs / ADVISORS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Governors
The United States Pony Clubs, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The United States Pony Clubs, Inc., (USPC), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, 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 our audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The United States Pony Clubs, Inc., as of December 31, 2013 and 2012, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Lexington, Kentucky
May 16, 2014

THE UNITED STATES PONY CLUBS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 694,074	$ 544,442
Investments	612,734	826,945
Accounts receivable	14,514	18,669
Grant receivable		23,000
Inventory	35,248	66,939
Prepaid expenses	57,736	43,816
Total current assets	1,414,306	1,523,811
Property and equipment, net	1,781,191	1,695,491
Other assets:		
Cash surrender value of life insurance	172,190	166,728
Investments:		
Designated	2,036,148	1,657,859
Temporarily restricted	386,366	357,628
Total other assets	2,594,704	2,182,215
Total assets	$ 5,790,201	$ 5,401,517
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 130,873	$ 129,869
Tenant deposits	8,029	10,835
Current portion of long-term debt	32,429	30,985
Deferred income:		
Membership dues	690,871	735,110
Annual meeting	112,859	85,063
Other	73,269	32,670
Total current liabilities	1,048,330	1,024,532
Long-term liabilities:		
Long-term debt	278,793	312,551
Total liabilities	1,327,123	1,337,083
Net assets:		
Unrestricted:		
Undesignated	2,040,563	2,009,604
Designated	2,036,149	1,657,859
Total unrestricted	4,076,712	3,667,463
Temporarily restricted	386,366	396,971
Total net assets	4,463,078	4,064,434
Total liabilities and net assets	$ 5,790,201	$ 5,401,517

See accompanying notes to the
financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Advertising	$ 36,277	$	$ 36,277
Annual meeting	104,252		104,252
Bookstore	199,562		199,562
Contributions and support	188,776	39,246	228,022
Championships and events	242,832		242,832
Grants		12,848	12,848
Instruction	92,805		92,805
Insurance	208,473		208,473
International exchange	45,894		45,894
Investment income	40,923	15,033	55,956
Membership dues and fees	948,621		948,621
National Youth Congress	24,319		24,319
Rent	85,748		85,748
In-kind contributions	7,359		7,359
Other	10,737		10,737
Unrealized gain	98,680	19,550	118,230
Realized gain	342,044	589	342,633
Net assets released from restrictions, satisfaction of program restrictions	97,871	(97,871)	-0-
Total support and revenues	2,775,173	(10,605)	2,764,568
Operating Expenses:			
Program expenses:			
Activities	355,111		355,111
Annual meeting	90,463		90,463
Bookstore	272,707		272,707
Communications	239,550		239,550
Instruction	249,675		249,675
Insurance	202,602		202,602
Member services	219,891		219,891
Total program expenses	1,629,999	-0-	1,629,999
Management and general	595,755		595,755
Fundraising	140,170		140,170
Total operating expenses	2,365,924	-0-	2,365,924
Change in net assets	409,249	(10,605)	398,644
Net assets, beginning of year	3,667,463	396,971	4,064,434
Net assets, end of year	$ 4,076,712	$ 386,366	$ 4,463,078

See accompanying notes to the financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Advertising	$ 28,674	$	$ 28,674
Annual meeting	108,591		108,591
Bookstore	195,835		195,835
Contributions and support	157,877	31,001	188,878
Championships and events	216,154		216,154
Grants		44,855	44,855
Instruction	108,745		108,745
Insurance	222,985		222,985
International exchange	9,598		9,598
Investment income	47,128	19,314	66,442
Membership dues and fees	970,661		970,661
National Youth Congress	15,816		15,816
Rent	131,350		131,350
In-kind contributions	2,634		2,634
Other	10,711		10,711
Unrealized gain	236,417	44,173	280,590
Realized loss	(23,111)	(22,524)	(45,635)
Net assets released from restrictions, satisfaction of program restrictions	91,337	(91,337)	-0-
Total support and revenues	2,531,402	25,482	2,556,884
Operating Expenses:			
Program expenses:			
Activities	323,291		323,291
Annual meeting	122,966		122,966
Bookstore	303,020		303,020
Communications	236,941		236,941
Instruction	328,940		328,940
Insurance	209,940		209,940
Member services	260,511		260,511
Total program expenses	1,785,609	-0-	1,785,609
Management and general	698,075		698,075
Fundraising	157,541		157,541
Total operating expenses	2,641,225	-0-	2,641,225
Change in net assets	(109,823)	25,482	(84,341)
Net assets, beginning of year	3,777,286	371,489	4,148,775
Net assets, end of year	$ 3,667,463	$ 396,971	$ 4,064,434

See accompanying notes to the financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 398,644	$ (84,341)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	75,620	64,129
Unrealized gains on investments	(118,230)	(280,590)
Realized (gains) losses on investments	(342,633)	45,635
Donated securities included in contributions	(2,245)	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	4,155	(11,381)
Pledges receivable		42,250
Grant receivable	23,000	(23,000)
Inventory	31,691	16,830
Prepaid expenses	(13,920)	34,090
Cash surrender value of life insurance	(5,462)	(5,221)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	1,004	14,287
Tenant deposits	(2,806)	670
Deferred income	24,156	(50,316)
Net cash flows from operating activities	72,974	(236,958)
Cash flows from investing activities:		
Proceeds from sales of investments	1,737,195	939,979
Purchases of investments	(1,466,903)	(711,532)
Purchases of property and equipment	(4,036)	(6,077)
Construction in progress	(157,284)	(136,473)
Net cash flows from investing activities	108,972	85,897
Cash flows from financing activities:		
Principal payments on long-term debt	(32,314)	(27,003)
Net cash flows from financing activities	(32,314)	(27,003)
Net change in cash	149,632	(178,064)
Cash and cash equivalents, beginning of year	544,442	722,506
Cash and cash equivalents, end of year	$ 694,074	$ 544,442
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	$ 13,716	$ 27,003
Donated securities	$ 2,245	$ -0-

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The United States Pony Clubs, Inc., (USPC) is presented to assist in understanding the USPC's financial statements. The financial statements and notes are representations of the USPC'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 Activities

The USPC is a non-profit organization incorporated under the laws of the Commonwealth of Kentucky. The USPC develops character, leadership, confidence, and a sense of community in youth through a program that teaches the care of horses and ponies, riding, and mounted sports.

Basis of Accounting

The financial statements of the USPC have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

USPC’s resources are classified for accounting and internal reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The combined assets, liabilities, and net assets, after elimination of material interfund balances, transactions and transfers, are presented in the aggregate for purposes of these financial statements. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted-undesignated net assets* – net assets that are not subject to donor-imposed stipulations or USPC’s designation, and used for various program expenses and general operating functions.

- *Unrestricted-designated net assets* – net assets subject to USPC’s board designations.

- *Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of USPC and/or the passage of time.

- *Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they must be maintained permanently by USPC.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets occur when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and are reported as net assets released from restrictions between the applicable classes of net assets.

Use of Estimates

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and Cash Equivalents

Cash equivalents include investments with original maturities of three months or less and which are readily convertible to cash. Cash and money market funds held in investment accounts are considered an investment and are not included in cash equivalents.

Investments

Investments are stated at fair market value. Income derived from realized and unrealized investment gains and losses is included in the change in net assets and are reported as increases or decreases in unrestricted net assets unless otherwise restricted by explicit donor stipulation or by law.

Accounts Receivable

USPC's management analyzes the allowance for doubtful accounts annually. If the allowance is considered inadequate, the allowance and bad debt expense are increased when that determination is made. USPC deemed all accounts to be fully collectible at December 31, 2013 and 2012, therefore, no allowance for doubtful accounts is necessary.

Inventory

Inventory consists principally of books and is stated at the lower of average cost or market, using the average cost method which approximates actual costs.

Prepaid Expenses

Prepaid expenses consist of costs paid relating to the following financial year for items such as insurance premiums.

Property and Equipment

Property is stated at cost, if purchased, and at fair market value on the date of gift, if donated. Property with an individual cost of $1,000 or more is capitalized. Depreciation is calculated using the straight-line method over the assets' estimated useful life, ranging from three to thirty-nine years. Depreciation expense was $75,620 and $64,129 for 2013 and 2012, respectively.

Construction in progress consists of costs incurred on projects that have not been completed. USPC begins depreciating completed projects in the month they are placed in service.

Cash Value of Life Insurance

USPC is the owner of permanent life insurance policies that cover the lives of certain former key employees. These permanent life insurance policies have a cash surrender value. That cash value is carried on the balance sheet at the surrender value reported to USPC by the insurance carrier.

Deferred Income

Deferred income, consisting of membership dues, insurance, sustaining memberships, annual meeting, administrative fees, and other income, represents revenues collected in advance of the period or the event to which it relates.

Membership Dues, Insurance, and Initiation Fees

Membership dues and insurance are recognized as revenue in the applicable membership period. Initiation and club registration fees are recorded as revenue in the period when the applying club is approved.

Grants

Grants are recognized as revenue in the period when the award is made by the grantor and are recorded as unrestricted or temporarily restricted support based on the existence and nature of any grantor restrictions.

In-Kind Contributions

USPC may receive material without payment or compensation for the championships. Materials and other noncash donations are recorded at estimated fair value determined at the date of donation.

During 2013 and 2012, USPC received donated services. Volunteers plan, organize, and administer certain committees, activities, and the annual event. Because these services do not require specialized skills they are not recorded in the financial statements.

Subsequent Events

USPC has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through May 16, 2014, the date which the financial statements were available to be issued.

2. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject USPC to concentrations of credit risk consist principally of cash deposits and investments.

USPC has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. USPC has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2013	2012
Furniture and fixtures	$ 228,606	$ 181,658
Computer equipment and software	290,937	290,937
Building and improvements	1,996,492	1,996,492
Construction in progress	250,844	136,473
	2,766,879	2,605,560
Less accumulated depreciation	(985,688)	(910,069)
Total property and equipment, net	$ 1,781,191	$ 1,695,491

At December 31, 2013, USPC had an installation project in progress. The project was completed in March 2014 and the total costs incurred were reclassified from construction in progress to computer equipment and software and depreciated accordingly. The total contract amount for the project was $250,844.

The traveling display was placed into service in April 2013 and the equipment was reclassified from construction in progress to furniture and fixtures for $42,913.

4. INVESTMENTS

Investments consist of the following as of December 31:

	2013	2012
Money market funds	$ 114,622	$ 294,467
Fixed income mutual funds	813,882	739,611
Equity securities	2,106,744	1,808,354
Total investments	$ 3,035,248	$ 2,842,432

Investments are reported as follows within the accompanying statements of financial position:

	2013	2012
Current assets:		
Investments	$ 612,734	$ 826,945
Other assets:		
Designated investments	2,036,148	1,657,859
Temporarily restricted investments	386,366	357,628
Total investments	$ 3,035,248	$ 2,842,432

Investment income earned by these investments for the year ended December 31, 2013 is reported net of related management fees of $40,902 and net of investment foreign taxes of $1,031.

Investment income earned by these investments for the year ended December 31, 2012 is reported net of related management fees of $40,100 and net of investment foreign taxes of $1,912.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that USPC has the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

- *Money market funds*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

- *Equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by USPC are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by USPC are deemed to be actively traded.

USPC's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels 1 and 2 during 2013 and 2012.

All of USPC's investments are in fixed income or securities of public companies that are measured using quoted prices in active markets. The following table presents the fair values of those investments at December 31, 2013:

	Fair Value	Level 1	Level 2	Level 3
Money Market Funds	$ 114,622	$	$ 114,622	$
Equity Securities:				
Large Cap Growth	528,838	528,838		
Large Cap Value	347,181	347,181		
Large Cap Blend	71,062	71,062		
Mid Cap Growth	473,903	473,903		
Mid Cap Value	128,238	128,238		
Mid Cap Blend	28,804	28,804		
Small Cap Growth	124,413	124,413		
Small Cap Value	651	651		
International Equity	230,492	230,492		
Emerging Market Equity	16,237	16,237		
REIT Equity	156,925	156,925		
Fixed Income Mutual Funds:				
Short Term Taxable Fixed Income	2,925	2,925		
Intermediate Taxable Fixed Income	474,206	474,206		
Long Term Taxable Fixed Income	9,815	9,815		
Intermediate Tax Exempt Fixed Income	87	87		
International Fixed Income	35,687	35,687		
Emerging Market Debt	53,648	53,648		
High Yield Fixed Income	145,611	145,611		
Commodities	8,887	8,887		
World Bond	74,224	74,224		
Other	8,792	8,792		
Total	$ 3,035,248	$ 2,920,626	$ 114,622	$ -0-

The following table presents the fair values of those investments at December 31, 2012:

	Fair Value	Level 1	Level 2	Level 3
Money Market Funds	$ 294,467	$	$ 294,467	$
Equity Securities:				
Large Cap Growth	350,244	350,244		
Large Cap Value	333,190	333,190		
Large Cap Blend	20,522	20,522		
Mid Cap Growth	310,450	310,450		
Mid Cap Value	125,692	125,692		
Small Cap Growth	159,802	159,802		
Small Cap Value	37,577	37,577		
International Equity	301,923	301,923		
Emerging Market Equity	37,577	37,577		
REIT Equity	131,377	131,377		
Fixed Income Mutual Funds:				
Short Term Taxable Fixed Income	24,067	24,067		
Intermediate Taxable Fixed Income	103,655	103,655		
Long Term Taxable Fixed Income	342,419	342,419		
Intermediate Tax Exempt Fixed Income	26,909	26,909		
International Fixed Income	52,491	52,491		
Emerging Market Debt	72,388	72,388		
High Yield Fixed Income	52,491	52,491		
Commodities	32,594	32,594		
Other	32,597	32,597		
Total	$ 2,842,432	$ 2,547,965	$ 294,467	$ -0-

6. LONG-TERM DEBT

During February 2012, USPC refinanced a construction loan for $368,624 at a rate of 4.5% and the loan is secured by the headquarters building. Monthly principal and interest payments of $3,836 commenced on March 15, 2012 and are based on the total amount of the loan. Final principal and interest payments are due on February 15, 2022.

The principal balance as of December 31, 2013 and 2012 was $311,222 and $343,536, respectively. The carrying amount of assets pledged as collateral was $565,746 and $588,484 at December 31, 2013 and 2012, respectively. Interest expense was $13,716 and $27,003 in 2013 and 2012, respectively. Assets pledged as collateral are classified as property and equipment in the accompanying statement of financial position.

Future minimum principal payments as determined by subsequent payments and the refinanced loan agreement are as follows:

2014	$	32,429
2015		33,940
2016		35,521
2017		37,176
2018		38,908
Thereafter		133,248
Total	$	311,222

7. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at December 31:

	2013		2012	
Board designated reserve	$	1,510,882	$	1,165,550
Building fund		177,432		164,629
Relief fund		28,978		25,857
Insurance and equipment funds		318,857		301,823
Total board designated net assets	$	2,036,149	$	1,657,859

Board Designated Reserve (formally Endowment Fund) – represents a board designated reserve for the purpose of generating income for stabilizing dues. Specific revenue sources are allocated to the fund by the Board in addition to investment income.

Building Fund – represents a reserve designated for the purpose of maintaining the national office headquarters building. Income for the fund is generated by donations restricted to this purpose and investment income.

Relief Fund – represents a board designated reserve whose use is determined by the Board of Governors.

Insurance Fund – represents a board designated reserve to provide for one year's liability insurance premium for club members. Income for the fund is generated from investment income.

Equipment Fund – represents a board designated reserve for capital purchases and leasehold improvements. This fund is financed by transfers from the operating fund.

8. BOARD DESIGNATED RESERVE

USPC has four endowment funds that represents a board designated reserve for the purpose of generating income for stabilizing dues. Specific revenue sources are allocated to the fund by the Board in addition to investment income. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

USPC has adopted a spending policy of contributing to operating expenses a maximum of 5% of the endowment fund's principal as calculated over the last rolling 12 quarters. The percentage may be amended by the Board of Governors. This is consistent with USPC's objective to maximize investment income of the endowment fund as well as to provide additional real growth through investment return.

To achieve that objective, USPC has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The endowment fund assets are invested in a balanced mix of fixed income mutual funds, institutional money managers, or through direct ownership of individual securities that is intended to provide cash at a minimum of:

(1) One month reserve readily available
(2) Three months reserve available within seven days notice
(3) Remainder available within three months and invested in freely negotiable, low-risk, high credit quality marketable securities

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the endowment fund to unacceptable levels of risk.

Composition of and changes in the designated net assets for the year ended December 31, 2013 were as follows:

Beginning of year	$ 1,657,859
Contributions	886,881
Income earned on investments	47,322
Net realized gains on investments	252,360
Unrealized gains on investments	123,767
Amounts appropriated for expenditure	(932,040)
End of year	$ 2,036,149

Composition of and changes in the designated net assets for the year ended December 31, 2012 were as follows:

Beginning of year	$ 1,464,418
Contributions	34,209
Income earned on investments	58,518
Net realized gains on investments	20,818
Unrealized gains on investments	116,711
Amounts appropriated for expenditure	(36,815)
End of year	$ 1,657,859

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2013	2012
Ritchie Fund	$ 10,938	$ 12,393
Pitts Memorial	39,895	42,837
Strassburger Memorial	7,339	4,166
Renfro Fund	27,602	24,458
Taylor/Hundt Fund	14,833	13,942
Inter-Pacific Fund	112,992	115,187
Pemstein Fund	9,855	8,982
Lenhert Fund	20,580	17,785
Brennan Memorial	86,141	77,628
Brookfield Fund	31,772	27,602
Helbert Fund	14,307	12,648
Margo Leithead Award	10,112	
Omaha Grant		29,488
USA Equestrian Trust Grant		9,855
	$ 386,366	$ 396,971

Ritchie Fund – represents donor restricted net assets to provide funds for an annual competition administered by the Foxhunting Committee for all D and C rated USPC members and other educational purposes as determined by the USPC Foxhunting Committee.

Pitts Memorial – represents donor restricted net assets whose use is restricted to International Games Exchange as determined by the USPC Games Committee.

Strassburger Memorial – represents donor restricted net assets for activities of the International Tetrathlon Exchange and educational purposes as determined by USPC Tetrathlon Committee.

Renfro Fund – represents donor restricted net assets for academic scholarships to USPC members. Income for the fund is generated by donations restricted to this purpose and investment income.

Taylor/Hundt Fund – represents donor restricted net assets for USPC eventing awards and contributions to the Equestrian Land Conservation Resource. Income for the fund is generated by donations restricted to this purpose and investment income.

Inter-Pacific Fund – represents donor restricted net assets for the support of USPC teams participating in the Inter-Pacific Exchange and other international exchange programs. Income for the fund is generated by donations restricted to this purpose and investment income.

Pemstein Fund – represents donor restricted net assets for the purpose of supporting awards in horse management in Eventing each year at the national championships. Income for the fund is generated by donations restricted to this purpose and investment income.

Lenhert Fund – represents donor restricted net assets for the purpose of aiding Pony Clubs and Regions funding a visiting instructor for summer instruction and/or club or regional camps, and to assist clubs who might not otherwise be able to afford to participate in the visiting instructor's program.

Brennan Memorial – represents donor restricted net assets for the purpose of aiding USPC in funding for instructor certification programs for Pony Club instructors and upper-level members. Income for the fund is generated by donations restricted to this purpose and investment income.

Brookfield Fund – represents donor restricted net assets for the purpose of promoting land conservation. The Brookfield Conservation Award is presented to a Pony Club whose members have helped promote land conservation through their dedication and hard work. Income for the fund is generated by donations restricted to this purpose and investment income.

Helbert Fund – represents donor restricted net assets for the purpose of encouraging Pony Club members in their academic pursuits in the liberal arts area. $1,000 annually will be used to award a one-year scholarship for higher education to a member meeting the qualifications. Income for the fund is generated by donations restricted to this purpose and investment income.

Margo Leithead Award – represents donor restricted net assets for the purpose of awarding the winning Horse Management teams at Championship events and USPC Festival each year.

Omaha Grant – represents the grant received from the Omaha Equestrian Foundation Grant to build a traveling display to use at The International of Omaha 2013 "Take a Ride – Have Fun! Exhibit" event.

USA Equestrian Trust Grant – represents a grant used to fund the shipment and travel expenses for staff concerning the mobile educational display that the Club built using funds from the Omaha Equestrian Foundation Grant.

10. RENTAL INCOME

USPC leases office space and facilities to several local horse organizations. The leases are for a period of two to four years. The cost of the building leased by USPC is $1,123,555 with accumulated depreciation of $201,629 and $172,820 for the years ended December 31, 2013 and 2012, respectively. The carrying amount of the building as of December 31, 2013 and 2012 was $921,926 and $950,735, respectively. Rental income received in 2013 and 2012 totaled $85,748 and $131,350, respectively.

Future minimum rental income to be received for the years ending December 31:

2014	$ 86,745
2015	76,967
2016	32,568
Total	$ 196,280

11. RETIREMENT PLAN

USPC sponsors a defined contribution retirement plan (Plan) for all full-time employees who meet certain age and length of service requirements. The Plan permits eligible employees to make voluntary Section 403(b) salary deferral contributions. USPC's retirement plan expense was $10,432 and $11,080 in 2013 and 2012, respectively.

12. RELATED PARTIES

Contribution income for 2013 and 2012 included $25,570 and $15,060, respectively from members of the Board of Governors and Advisory Committee.

13. USPC INSURANCE PROGRAM

The USPC maintains liability and accident/medical coverage for their activities throughout the country. Coverage is provided by Specialty Program Insurors and is underwritten by ACE American Insurance Company. The United States Pony Clubs, Inc. and/or its individual registered member clubs, regions and regional officers, member board of governors, committee members, volunteers, regional supervisors, district commissioners, national examiners, advisors, individual members, technical delegates, judges, employees, and instructors are all covered for liability while acting within their capacity as such, under the direction of the national organization or an insured region or affiliated club. A portion of member dues is utilized to pay these premiums. The office fee charged for each location used for USPC activities also goes toward payment of these premiums.

14. COMMITMENTS AND CONTINGENCIES

USPC agreed to pay the survivor of a former employee or his spouse certain amounts following the death of either individual. To fund this agreement, USPC purchased insurance on the life of the former employee with the death benefit to fund the employee's annual payments of at least $4,500. The spouse was deceased as of December 31, 2007 so the maximum payout is currently set at $4,500 per year. The present value of the estimated future benefits payable under the terms of the agreement, based on normal life expectancy and eight percent earnings rate, is approximately $14,000 and is presented in accounts payable and other accrued liabilities in the statement of financial position.

15. INCOME TAX STATUS

USPC is a not-for-profit corporation, other than a private foundation, organized under Section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes. Accordingly, no income tax expense is reported in the accompanying financial statements. USPC has filed its Internal Revenue Service (IRS) Form 990 (Returns of Organizations Exempt from Income Tax) for periods through December 31, 2013 and is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by USPC and recognize a tax liability if USPC has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by USPC, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.