Pony Club

Where it all begins

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

THE UNITED STATES PONY CLUBS, INC.

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CPAs / ADVISORS

blue

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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, 2014 and 2013, 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 USPC, as of December 31, 2014 and 2013, 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 15, 2015

THE UNITED STATES PONY CLUBS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash	$ 694,950	$ 694,074
Investments	689,169	612,734
Accounts receivable	12,191	14,514
Inventory	21,312	35,248
Prepaid expenses	60,231	57,736
Total current assets	1,477,853	1,414,306
Property and equipment, net	1,759,855	1,781,191
Other assets:		
Cash surrender value of life insurance	177,868	172,190
Investments:		
Designated	2,162,101	2,036,148
Temporarily restricted	386,151	386,366
Total other assets	2,726,120	2,594,704
Total assets	$ 5,963,828	$ 5,790,201
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 92,595	$ 130,873
Tenant deposits	8,866	8,029
Current portion of long-term debt	34,188	32,429
Deferred income:		
Membership dues	689,789	690,871
Annual meeting	94,630	112,859
Other	106,092	73,269
Total current liabilities	1,026,160	1,048,330
Long-term liabilities:		
Long-term debt	244,527	278,793
Total liabilities	1,270,687	1,327,123
Net assets:		
Unrestricted:		
Undesignated	2,144,889	2,040,564
Designated	2,162,101	2,036,148
Total unrestricted	4,306,990	4,076,712
Temporarily restricted	386,151	386,366
Total net assets	4,693,141	4,463,078
Total liabilities and net assets	$ 5,963,828	$ 5,790,201

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, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Advertising	$ 31,511	$	$ 31,511
Annual meeting	127,035		127,035
Bookstore	169,981		169,981
Contributions and support	186,760	39,995	226,755
Championships and events	641,766		641,766
Grants	1,420		1,420
Instruction	85,485		85,485
Insurance	212,312		212,312
International exchange	85,108		85,108
Investment income	42,889	33,797	76,686
Membership dues and fees	1,030,615		1,030,615
National Youth Congress	33,410		33,410
Rent	103,400		103,400
In-kind contributions	8,395		8,395
Other	11,988		11,988
Unrealized gains (losses)	13,536	(13,051)	485
Realized gains (losses)	82,095	(2,397)	79,698
Net assets released from restrictions, satisfaction of program restrictions	58,559	(58,559)	-0-
Total support and revenues	2,926,265	(215)	2,926,050
Operating expenses:			
Program expenses:			
Activities	644,536		644,536
Annual meeting	100,852		100,852
Bookstore	140,727		140,727
Communications	234,251		234,251
Instruction	295,238		295,238
Insurance	183,907		183,907
Member services	278,459		278,459
Total program expenses	1,877,970	-0-	1,877,970
Management and general	720,598		720,598
Fundraising	97,419		97,419
Total operating expenses	2,695,987	-0-	2,695,987
Change in net assets	230,278	(215)	230,063
Net assets, beginning of year	4,076,712	386,366	4,463,078
Net assets, end of year	$ 4,306,990	$ 386,151	$ 4,693,141

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 gains	98,680	19,550	118,230
Realized gains	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.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 230,063	$ 398,644
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	72,426	75,620
Unrealized gains on investments	(485)	(118,230)
Realized gains on investments	(79,698)	(342,633)
Donated securities included in contributions	(27,559)	(2,245)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	2,323	4,155
Grant receivable	-0-	23,000
Inventory	13,936	31,691
Prepaid expenses	(2,495)	(13,920)
Cash surrender value of life insurance	(5,678)	(5,462)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	(38,278)	1,004
Tenant deposits	837	(2,806)
Deferred income	13,512	24,156
Net cash flows from operating activities	178,904	72,974
Cash flows from investing activities:		
Proceeds from sales of investments	921,670	1,737,195
Purchases of investments	(1,016,101)	(1,466,903)
Purchases of equipment and construction in progress	(51,090)	(161,320)
Net cash flows from investing activities	(145,521)	108,972
Cash flows from financing activities:		
Principal payments on long-term debt	(32,507)	(32,314)
Net cash flows from financing activities	(32,507)	(32,314)
Net change in cash	876	149,632
Cash, beginning of year	694,074	544,442
Cash, end of year	$ 694,950	$ 694,074
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	$ 13,524	$ 13,716
Donated securities	$ 27,559	$ 2,245

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.

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.

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.

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.

Investments

Investments are stated at fair market value. Cash and cash equivalents held in investment accounts are included in investments. 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, 2014 and 2013; 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 $72,426 and $75,620 for 2014 and 2013, 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.

Revenue Recognition

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. Championships and event fees are recorded as revenue in the period in which the event occurs.

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 2014 and 2013, 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 15, 2015, 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:

	2014	2013
Furniture and fixtures	$ 232,342	$ 228,606
Computer equipment and software	570,335	290,937
Building and improvements	1,996,492	1,996,492
Construction in progress	18,800	250,844
Total property and equipment	2,817,969	2,766,879
Less accumulated depreciation	(1,058,114)	(985,688)
Total property and equipment, net	$ 1,759,855	$ 1,781,191

At December 31, 2014, USPC has a software customization project in progress. The project will be completed in November 2015 and the total costs will be reclassified from construction in progress to computer equipment and software and depreciated accordingly. The total contract amount for the project is approximately $24,000.

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 approximately $280,000.

A traveling display was placed into service in April 2013 and the approximately $43,000 was reclassified from construction in progress to furniture and fixtures.

4. INVESTMENTS

Investments consist of the following as of December 31:

	2014	2013
Cash and cash equivalents	$ 295,789	$ 114,622
Fixed income mutual funds	746,157	813,882
Equity securities	2,195,475	2,106,744
Total investments	$ 3,237,421	$ 3,035,248

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

	2014	2013
Current assets:		
Investments	$ 689,169	$ 612,734
Other assets:		
Designated investments	2,162,101	2,036,148
Temporarily restricted investments	386,151	386,366
Total investments	$ 3,237,421	$ 3,035,248

Investment income earned by these investments for the year ended December 31, 2014 is reported net of related management fees of $45,184 and net of investment foreign taxes of $883.

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.

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, 2014 and 2013.

- *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 2014 and 2013.

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, 2014:

	Level 1	Level 2	Level 3	Total
Equity Securities:				
Large Cap Growth	$ 613,864	$	$	$ 613,864
Large Cap Value	362,156			362,156
Large Cap Blend	82,660			82,660
Mid Cap Growth	304,476			304,476
Mid Cap Value	165,114			165,114
Small Cap Growth	180,487			180,487
Small Cap Value	59,346			59,346
International Equity	248,449			248,449
Emerging Market Equity	11,445			11,445
REIT Equity	167,478			167,478
Fixed Income Mutual Funds:				
Short Term Taxable Fixed Income	80,958			80,958
Intermediate Taxable Fixed Income	503,611			503,611
Long Term Taxable Fixed Income	7,134			7,134
International Fixed Income	40,859			40,859
Emerging Market Debt	83,074			83,074
High Yield Fixed Income	25,612			25,612
Other	4,909			4,909
Total investments at fair value	$ 2,941,632	$ -0-	$ -0-	2,941,632
Cash and cash equivalents				295,789
Total				$ 3,237,421

The following table presents the fair values of those investments at December 31, 2013:

	Level 1	Level 2	Level 3	Total
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 investments at fair value	$ 2,920,626	$ -0-	$ -0-	2,920,626
Cash and cash equivalents				114,622
Total				$ 3,035,248

6. LONG-TERM DEBT

The USPC has a loan for $368,624 at a fixed rate of 4.5% and is secured by the headquarters building. Monthly principal and interest payments of $3,836 commenced on March 15, 2012 and the loan matures on February 15, 2022. The principal balance as of December 31, 2014 and 2013 was $278,715 and $311,222, respectively. The carrying amount of assets pledged as collateral was $541,125 and $565,746 at December 31, 2014 and 2013, respectively. Interest expense was $13,524 and $13,716 in 2014 and 2013, 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:

2015	$ 34,188
2016	35,759
2017	37,402
2018	39,120
2019	40,917
Thereafter	91,329
Total	$ 278,715

7. BOARD DESIGNATED NET ASSETS

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

	2014	2013
Board designated reserve	$ 1,623,695	$ 1,510,881
Building fund	179,267	177,432
Relief fund	30,598	28,978
Insurance and equipment funds	328,541	318,857
Total board designated net assets	$ 2,162,101	$ 2,036,148

Board Designated Reserve (formally Endowment Fund) – represents a board designated reserve for the purpose of providing program excellence. 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 improving and 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 eight endowment funds that represents a board designated reserve for the purpose of providing program excellence. 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, 2014 were as follows:

Beginning of year	$	2,036,148
Contributions		1,386
Income earned on investments		61,855
Net realized gains on investments		75,781
Unrealized gains on investments		41,119
Amounts appropriated for expenditure		(54,188)
End of year	$	2,162,101

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		(932,041)
End of year	$	2,036,148

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Ritchie Fund	$ 10,989	$ 10,938
Pitts Memorial	38,848	39,895
Strassburger Memorial	6,538	7,339
Renfro Fund	27,093	27,602
Taylor/Hundt Fund	15,672	14,833
Inter-Pacific Fund	107,541	112,992
Pemstein Fund	10,358	9,855
Lenhert Fund	20,477	20,580
Brennan Memorial	90,083	86,141
Brookfield Fund	31,345	31,772
Helbert Fund	13,974	14,307
Margo Leithead Award	13,233	10,112
	$ 386,151	$ 386,366

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.

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 $230,438 and $201,629 for the years ended December 31, 2014 and 2013, respectively. The carrying amount of the building as of December 31, 2014 and 2013 was $893,117 and $921,926, respectively. Rental income received in 2014 and 2013 totaled $103,400 and $85,748, respectively.

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

2015	$	107,982
2016		52,675
Total	$	160,657

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 $9,043 and $10,432 in 2014 and 2013, respectively.

12. RELATED PARTIES

Contribution income for 2014 and 2013 included $29,228 and $25,570, respectively from members of the Board of Governors, Advisory Committee, and staff.

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 $13,000 and is presented in accounts payable and other accrued liabilities in the statement of financial position.

15. INCOME TAX STATUS

The USPC is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

As such, the USPC is generally exempt from income taxes. However, the USPC is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The USPC is subject to routine audits by taxing jurisdictions. However, as of the date the financials were available to be issued, there were no audits for any tax periods in progress.

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, 2014 and 2013, 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.