



FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

# THE UNITED STATES PONY CLUBS, INC.

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## REPORT OF INDEPENDENT AUDITORS

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

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, 2020 and 2019, 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.

### 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, 2020 and 2019, 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 14, 2021

# THE UNITED STATES PONY CLUBS, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 606,800	\$ 724,428
Investments	992,070	862,190
Accounts receivable	27,951	18,658
Inventory	13,199	14,050
Prepaid expenses	213,396	121,644
Total current assets	1,853,416	1,740,970
Property and equipment, net	1,205,213	1,281,968
Other noncurrent assets:		
Cash surrender value of life insurance	70,274	67,279
Investments	4,341,656	3,760,666
Total other noncurrent assets	4,411,930	3,827,945
Total assets	\$ 7,470,559	\$ 6,850,883
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 103,858	\$ 113,395
Tenant deposits	7,934	7,799
Current portion of long-term debt	44,763	42,797
Deferred income	675,970	848,931
Total current liabilities	832,525	1,012,922
Long-term liabilities:		
Long-term debt	4,534	49,208
Total liabilities	837,059	1,062,130
Net assets:		
Without donor restrictions		
Undesignated	2,295,486	2,028,087
Designated by the Board	3,579,668	3,167,873
Total without donor restrictions	5,875,154	5,195,960
With donor restrictions		
Purpose restricted	738,346	572,793
Endowment fund	20,000	20,000
Total with donor restrictions	758,346	592,793
Total net assets	6,633,500	5,788,753
Total liabilities and net assets	\$ 7,470,559	\$ 6,850,883

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, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Endowment Fund	
<b>Support and revenues:</b>				
Support:				
Contributions	\$ 359,389	\$ 14,337	\$ -0-	\$ 373,726
Paycheck Protection Program	186,700			186,700
Total support	546,089	14,337	-0-	560,426
Contract revenue:				
Annual meeting	150,750			150,750
Instruction	40,430			40,430
National Youth Congress	18,662			18,662
Membership dues and fees	969,351			969,351
Insurance	169,468			169,468
Bookstore	124,563			124,563
Net assets released from restrictions, satisfaction of program restrictions	17,025	(17,025)		-0-
Total contract revenue	1,490,249	(17,025)	-0-	1,473,224
Other revenue:				
Investment income, net	597,764	168,241		766,005
Rent	81,618			81,618
Other	36,762			36,762
Total other revenue	716,144	168,241	-0-	884,385
Total support and revenues	2,752,482	165,553	-0-	2,918,035
<b>Operating expenses:</b>				
Program expenses	1,150,527			1,150,527
Management and general	723,079			723,079
Fundraising	199,682			199,682
Total operating expenses	2,073,288	-0-	-0-	2,073,288
<b>Change in net assets</b>	679,194	165,553	-0-	844,747
<b>Net assets, beginning of year</b>	5,195,960	572,793	20,000	5,788,753
<b>Net assets, end of year</b>	\$ 5,875,154	\$ 738,346	\$ 20,000	\$ 6,633,500

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, 2019

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Endowment Fund	
<b>Support and revenues:</b>				
Support:				
Contributions	\$ 259,948	\$ 33,159	\$ -0-	\$ 293,107
In-kind contributions	5,228			5,228
Total support	<u>265,176</u>	<u>33,159</u>	<u>-0-</u>	<u>298,335</u>
Contract revenue:				
Annual meeting	121,121			121,121
Championships and events	211,398			211,398
Instruction	61,930			61,930
International exchange	89,330			89,330
National Youth Congress	16,463			16,463
Membership dues and fees	1,058,265			1,058,265
Insurance	186,613			186,613
Advertising	22,091			22,091
Bookstore	163,237			163,237
Net assets released from restrictions, satisfaction of program restrictions	50,847	(50,847)		-0-
Total contract revenue	<u>1,981,295</u>	<u>(50,847)</u>	<u>-0-</u>	<u>1,930,448</u>
Other revenue:				
Investment income, net	754,239	114,962		869,201
Rent	75,648			75,648
Other	63,126			63,126
Total other revenue	<u>893,013</u>	<u>114,962</u>	<u>-0-</u>	<u>1,007,975</u>
Total support and revenues	<u>3,139,484</u>	<u>97,274</u>	<u>-0-</u>	<u>3,236,758</u>
<b>Operating expenses:</b>				
Program expenses	1,538,118			1,538,118
Management and general	653,524			653,524
Fundraising	234,124			234,124
Total operating expenses	<u>2,425,766</u>	<u>-0-</u>	<u>-0-</u>	<u>2,425,766</u>
<b>Change in net assets</b>	713,718	97,274	-0-	810,992
<b>Net assets, beginning of year</b>	<u>4,482,242</u>	<u>475,519</u>	<u>20,000</u>	<u>4,977,761</u>
<b>Net assets, end of year</b>	<u>\$ 5,195,960</u>	<u>\$ 572,793</u>	<u>\$ 20,000</u>	<u>\$ 5,788,753</u>

See accompanying notes to the financial statements.

# THE UNITED STATES PONY CLUBS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Supporting services			2020 Total
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 441,181	\$ 325,408	\$ 91,000	\$ 857,589
Payroll taxes and employee benefits	126,009	92,943	25,991	244,943
	567,190	418,351	116,991	1,102,532
Annual meeting	72,834			72,834
Awards and scholarships	16,336			16,336
Buildings and occupancy	21,373	19,360	4,798	45,531
Cedit Card Fees	21,627		3,157	24,784
Championships and festivals	6,507			6,507
Committees	6,168			6,168
Cost of sales - bookstore	89,162			89,162
Other bookstore expenses	9,675			9,675
Depreciation	39,451	35,734	8,856	84,041
General office expense	29,710	24,298	6,387	60,395
Instruction	51,682			51,682
Insurance	84,924	69,454	18,255	172,633
International exchanges	1,352			1,352
Meeting expense	17,905	14,644	3,849	36,398
Member services	37,194			37,194
Postage and printing	5,147	6,296	24,146	35,589
Professional services	19,426	15,886	4,176	39,488
Technology	35,078	26,589	6,989	68,656
Trainings and convention	13,202			13,202
Support operations		85,000		85,000
Travel	4,584		2,078	6,662
Miscellaneous		7,467		7,467
	\$ 1,150,527	\$ 723,079	\$ 199,682	\$ 2,073,288

See accompanying notes to the financial statements.



# THE UNITED STATES PONY CLUBS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Supporting services			2019 Total
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 431,363	\$ 318,166	\$ 88,975	\$ 838,504
Payroll taxes and employee benefits	120,565	88,926	24,868	234,359
	551,928	407,092	113,843	1,072,863
Annual meeting	50,157			50,157
Awards and scholarships	19,978			19,978
Buildings and occupancy	27,718	25,106	6,222	59,046
Credit Card Fees	22,511		2,619	25,130
Championships and festivals	179,015			179,015
Committees	12,813			12,813
Cost of sales - bookstore	111,112			111,112
Other bookstore expenses	14,164			14,164
Depreciation	58,618	53,094	13,159	124,871
General office expense	23,884	19,533	5,134	48,551
Instruction	73,998			73,998
Insurance	89,810	73,449	19,305	182,564
International exchanges	109,831			109,831
Meeting expense	19,188	15,693	4,125	39,006
Member services	74,412			74,412
Postage and printing	5,182	5,491	57,297	67,970
Professional services	23,696	19,379	5,094	48,169
Technology	54,562	13,780	3,622	71,964
Trainings and convention	11,961			11,961
Support operations		17,500		17,500
Travel	3,580		3,704	7,284
Miscellaneous		3,407		3,407
	\$ 1,538,118	\$ 653,524	\$ 234,124	\$ 2,425,766

See accompanying notes to the financial statements.

# THE UNITED STATES PONY CLUBS, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 844,747	\$ 810,992
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	84,041	124,871
Unrealized (gains) losses on investments	(731,239)	(624,561)
Realized (gains) losses on investments	81,363	(150,348)
Donated securities included in contributions	(9,878)	(1,042)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(9,293)	17,642
Inventory	851	(1,089)
Prepaid expenses	(91,752)	29,418
Cash surrender value of life insurance	(2,995)	(2,988)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	(9,537)	(38,404)
Tenant deposits	135	-0-
Deferred income	(172,961)	63,184
Net cash flows from operating activities	(16,518)	227,675
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	736,547	1,047,682
Purchases of investments	(787,662)	(1,064,646)
Purchases of equipment and construction in progress	(7,287)	(58,926)
Net cash flows from investing activities	(58,402)	(75,890)
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(42,708)	(40,818)
Net change in cash	(117,628)	110,967
Cash, beginning of year	724,428	613,461
Cash, end of year	\$ 606,800	\$ 724,428
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest expense	\$ 3,323	\$ 5,214
Donated securities	\$ 9,878	\$ 1,042

See accompanying notes to the financial statements.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 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:

- *Net assets without donor restrictions* – net assets that are not subject to donor-imposed stipulations or USPC's designation, and used for various program expenses and general operating functions.
  - *Net assets with donor restrictions* – net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.
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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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Revenues are reported as increases 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. 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 by law. Expirations of donor 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 functional expenses. Direct costs are allocated by department. Certain expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on personnel time. Occupancy costs and depreciation are allocated based on square footage used. Although the methods used were appropriate, alternative methods may have provided different results.

### Cash

The USPC classifies as cash all checking, savings, and money market accounts, and all highly liquid investments maturing within 90 days of purchase.

### 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 net assets without donor restrictions unless otherwise restricted by explicit donor stipulation or by law.

### Accounts Receivable (Contract Receivable)

Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest.

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, 2020 and 2019; therefore, no allowance for doubtful accounts is necessary. The balance of receivables on January 1, 2019 was \$36,300.

### Inventory

Inventory is stated at the lower of cost or net realizable value, using the average cost method which approximates actual costs.

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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 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 \$84,041 and \$124,871 for 2020 and 2019, respectively.

### Cash Value of Life Insurance

USPC is the owner of a permanent life insurance policy that covers the life of a former key employee. This permanent life insurance policy has a cash surrender value. That cash value is carried on the statement of financial position at the surrender value reported to USPC by the insurance carrier.

### Deferred Income (Contract Liability)

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

USPC derives its revenue primarily from registrations of events, bookstore revenue, membership related revenue and contributions. Registrations are recognized in the period in which the event is held. Each registration is generally accounted for as a single unit of account (a single performance obligation), and are not grouped together. USPC typically opens up registrations a few months prior to an event and any amount received by USPC prior to an event is recognized as a deferred revenue (contract liability) on the statement of financial position.

A portion of USPC's revenue is derived from their bookstore. The USPC recognizes merchandise sales at the point of sale. Returns are immaterial. Net sales are reflected in the accompanying statement of activities.

Rental income is recognized as revenue during the period in which the tenants occupy USPC's building. Rent is due on the 1<sup>st</sup> of each calendar month and recognized as deferred rent and recognized as income at the end of each month. As of December 31, 2020 and 2019, there was no deferred rent.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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All of USPC's membership period runs from January 1<sup>st</sup> through December 31<sup>st</sup>. Membership dues are paid for educational development, insurance, advocacy, and collaboration opportunities with other members. Payments received in advanced are recognized as deferred income (contract liability) until the membership period has been satisfied.

Contributions are received by USPC through fund-raising campaigns or relationships with donors. Revenue is recognized and recorded as with or without donor restrictions support based on the existence and nature of any donor restrictions.

All other revenues are recognized when earned.

### Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications had no effect on previously reported assets, liabilities, net assets or changes in net assets.

### Recently Issued Accounting Standards

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new standard, which USPC is not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position 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 the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

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

### Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

### Subsequent Events

As discussed at Note 11, USPC received their second round of Paycheck Protection program (PPP) loan. USPC has evaluated all other events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through May 14, 2021, the date which the financial statements were available to be issued.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 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 Federal Deposit Insurance Corporation (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. CONTRACT LIABILITY (DEFERRED INCOME)

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 December 31, 2020 and 2019:

	2020	2019
Deferred revenue, beginning of year	\$ 848,931	\$ 785,747
Revenue recognized during the year	(1,217,360)	(1,344,092)
Increase due to cash received during the year	1,044,399	1,407,276
Deferred revenue, end of year	<u>\$ 675,970</u>	<u>\$ 848,931</u>

Deferred income consists of the following at December 31, 2020 and 2019:

	2020	2019
Prepaid memberships	\$ 555,230	\$ 639,985
Prepayment on annual meeting	22,560	130,491
Other prepayments and advanced registrations	98,180	78,455
	<u>\$ 675,970</u>	<u>\$ 848,931</u>

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2020	2019
Furniture and fixtures	\$ 184,370	\$ 184,370
Computer equipment and software	749,975	749,975
Building and improvements	2,052,382	2,044,502
Total property and equipment	2,986,727	2,978,847
Less accumulated depreciation	(1,781,514)	(1,696,879)
Total property and equipment, net	<u>\$ 1,205,213</u>	<u>\$ 1,281,968</u>

### 5. INVESTMENTS

Investments consist of the following as of December 31:

	2020	2019
Cash and cash equivalents	\$ 120,146	\$ 272,468
Fixed income mutual funds	523,267	174,862
Equity securities	4,690,313	4,175,526
Total investments	<u>\$ 5,333,726</u>	<u>\$ 4,622,856</u>

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

	2020	2019
Current assets:		
Investments	\$ 992,070	\$ 862,190
Other assets:		
Designated investments	3,583,310	3,167,873
Purpose restricted investments	738,346	572,793
Endowment investments	20,000	20,000
Total investments	<u>\$ 5,333,726</u>	<u>\$ 4,622,856</u>

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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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Investment income earned by these investments for the years ended December 31, 2020 and 2019, is reported net on the accompanying statement of activities and changes in net assets as follows:

	2020	2019
Interest and dividend income	\$ 173,009	\$ 149,495
Realized and unrealized gains (losses)	649,876	774,909
Investment management fees	(56,880)	(55,203)
Net investment income	<u>\$ 766,005</u>	<u>\$ 869,201</u>

### 6. 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, 2020 and 2019.

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

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

- *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.

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, 2020:

	Level 1	Level 2	Level 3	Total
Large Cap - Growth	\$ 939,111	\$ -0-	\$ -0-	\$ 939,111
Large Cap - Other	819,510			819,510
Mid Cap - Growth	736,325			736,325
Mid Cap - Other	841,872			841,872
Multi-Sector Bond	341,353			341,353
Small Cap - Growth	283,636			283,636
Small Cap - Other	277,535			277,535
Corporate Investment Grade	271,424			271,424
Giant Cap Equity	228,574			228,574
Other	474,240			474,240
Total investments at fair value	<u>\$ 5,213,580</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>5,213,580</u>
Cash and cash equivalents				120,146
Total				<u>\$ 5,333,726</u>

The following table presents the fair values of those investments at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Large Cap Growth	\$ 799,260	\$ -0-	\$ -0-	\$ 799,260
Mid Cap Growth	511,635			511,635
Mid Cap Equity	335,452			335,452
Multi-Sector Bond	322,597			322,597
Large Cap Value	315,804			315,804
Corporate Investment Grade	249,946			249,946
Small Cap Growth	230,199			230,199
Giant Cap Equity	213,442			213,442
Large Cap - Equity	184,705			184,705
Intermediate Fixed Income	174,862			174,862
Other	1,012,486			1,012,486
Total investments at fair value	<u>\$ 4,350,388</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>4,350,388</u>
Cash and cash equivalents				272,468
Total				<u>\$ 4,622,856</u>

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 7. 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, 2020 and 2019 was \$49,297 and \$92,005, respectively. The carrying amount of assets pledged as collateral was \$423,905 and \$451,142 at December 31, 2020 and 2019, respectively. Interest expense was \$3,323 and \$5,214 in 2020 and 2019, respectively. Assets pledged as collateral are classified as property and equipment in the accompanying statements of financial position.

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

2021	44,763
2022	4,534
Total	<u>\$ 49,297</u>

### 8. BOARD DESIGNATED NET ASSETS

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

	2020	2019
Board designated reserve	\$ 3,122,693	\$ 2,766,524
Building fund	135,210	119,740
Insurance and equipment funds	321,765	281,609
Total board designated net assets	<u>\$ 3,579,668</u>	<u>\$ 3,167,873</u>

*Board Designated Reserve* – 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.

*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.

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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 9. ENDOWMENTS

As of December 31, 2020, USPC had 6 endowment funds that represent 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. In addition, USPC has two donor restricted endowment funds. 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.

#### Interpretation of Relevant Law

USPC is subject to the Uniform Prudent Management of Institutional Fund Act ("UPMIFA"). In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the USPC's Board of Governors has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the USPC classifies as donor restricted net assets the historic dollar value of assets held as donor restricted endowment, including any subsequent gifts and any accumulations to donor restricted endowments made in accordance with the direction of the applicable gift instruments.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions. Donor-restricted endowments are classified as net assets with donor restriction and board designated endowments are classified as net assets without donor restrictions consistent with the standard of prudence prescribed by UPMIFA.

The USPC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the USPC considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purpose of the USPC and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the USPC,
- (7) The investment policies of the USPC.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the USPC to retain as a fund of perpetual duration. During 2020 and 2019, there were no deficiencies of this nature.

### Return Objectives and Risk Parameters

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

### Strategies Employed for Achieving Objectives

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.

### Spending Policy and How Investment Objectives Relate to Spending Policy

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.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Composition of and changes in the designated net assets and permanently restricted net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions
Beginning of year	\$ 3,167,873	\$ 54,109
Contributions	28,605	2,361
Income earned on investments	94,887	3,272
Net realized gains (losses) on investments	(12,978)	(201)
Unrealized gains (losses) on investments	426,164	9,694
Amounts appropriated for expenditure	(124,883)	-0-
End of year	\$ 3,579,668	\$ 69,235

Composition of and changes in the designated net assets and permanently restricted net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions
Beginning of year	\$ 2,622,129	\$ 36,723
Contributions	474,500	10,524
Income earned on investments	47,939	1,427
Net realized gains (losses) on investments	136,592	-0-
Unrealized gains (losses) on investments	425,796	5,435
Amounts appropriated for expenditure	(539,083)	-0-
End of year	\$ 3,167,873	\$ 54,109

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 10. NET ASSETS WITH DONOR RESTRICTIONS

The following net assets are subject to expenditure for specific purposes, and therefore included in net assets with donor restrictions:

	2020	2019
Pitts Memorial	\$ 30,381	\$ 24,006
Strassburger Memorial	26,672	15,684
Renfro Fund	36,419	29,888
Taylor/Hundt Fund	22,688	17,026
Inter-Pacific Fund	135,662	105,191
Lenhert Fund	21,147	16,437
Brennan Memorial	136,286	98,890
Brookfield Fund	35,155	33,291
Helbert Fund	14,633	11,999
Margo Leithead Award	30,692	22,048
Mattingly Fund	158,504	127,725
Penrose Leadership Fund	38,657	30,510
Middle Tennessee	30,578	23,599
Disaster Relief Fund	40,872	36,499
	<u>\$ 758,346</u>	<u>\$ 592,793</u>

*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.

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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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*Lenhart 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.

*Mattingly Fund* – represents donor restricted net assets for USPC to provide volunteer training, development and support programs for local, regional and national leaders including but not limited to District Commissioners, Center Administrators, Regional Supervisor, and Board of Governors. Income for the fund is generated by donations restricted to this purpose and investment income.

*Disaster Relief Fund* – represents donor restricted net assets for the purpose of aiding Pony Club families and horses in the recovery efforts following a natural disaster or accident.

*Penrose Leadership Fund* – represents donor restricted net assets for the purpose of supporting the National Testing Training programs for National Examiners and Apprentice National Examiners. In 2016, USPC received an initial investment of \$10,000 for the purpose of USPC’s National Testing Training programs for National Examiners and Apprentice National Examiners. The initial \$10,000 investment is to remain in the endowment, while the interest earned and subsequent gifts can be used for expenditures that meets its purpose.

*Middle Tennessee Fund* – represents donor restricted net assets for the purpose of supporting Quiz-related programs during Championship. In 2017, USPC received an initial investment of \$10,000 for the purpose of Quiz competition at Championships or other Quiz-related expense. The initial \$10,000 investment is to remain in the endowment, while the interest earned and subsequent gifts can be used for expenditures that meets its purpose.



# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 11. PAYCHECK PROTECTION PROGRAM

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program (PPP) which provides small business with the resources needed to maintain payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs, including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. USPC applied for and was accepted to participate in this program. On April 5, 2020, USPC received funding of \$186,700.

The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria are met with the remaining balance within two years from the date of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures during the covered period, as defined. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness.

USPC has elected to treat the loan under FASB ASC 958-605 as a conditional grant. USPC has evaluated the loan's criteria and determined that the conditions for forgiveness were substantially met at December 31, 2020, and therefore recognized as revenue the full amount of the loan on the statement of activities for the year ended December 31, 2020. Subsequent to December 31, 2020, USPC applied for loan forgiveness under the provisions of Section 1106 of the CARES Act and received approval from the SBA on May 10, 2021.

Subsequent to the statement of financial position date, USPC received its second round of Paycheck Protection Program (PPP), in the amount of \$177,327. The loan is administered by the Small Business Administration, and similar to above, is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. It is USPC's intent to apply for full forgiveness.

### 12. 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 \$1,139,235 with accumulated depreciation of \$410,640 and \$379,591 for the years ended December 31, 2020 and 2019, respectively. The carrying amount of the building as of December 31, 2020 and 2019 was \$728,595 and \$759,644, respectively. Rental income received in 2020 and 2019 totaled \$81,618 and \$75,648, respectively. Future minimum rental income under the above referenced leases is as follows:

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# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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2021	\$	31,286
2022		28,413
2023		28,413
2024		28,413
Total	\$	<u>116,525</u>

### 13. 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 \$11,286 and \$13,113 in 2020 and 2019, respectively.

### 14. RELATED PARTIES

Contribution income for 2020 and 2019 included \$45,854 and \$41,837, respectively, from members of the Board of Governors, Advisory Committee, and staff.

### 15. USPC INSURANCE PROGRAM

The USPC maintains liability and accident/medical coverage for their activities throughout the country. Coverage is provided by Specialty Program Insurers and is underwritten by ACE American Insurance Company. The USPC 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.

### 16. 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. As of the date the financials were available to be issued, there were no audits for any tax periods in progress.

# THE UNITED STATES PONY CLUBS, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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.

### 17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the United States Pony Clubs, Inc.'s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligation come due. The following reflects the USPC financial assets as of the Statement of Financial Position date, including the amount designated by the board of directors to be used within one year of the Statement of Financial Position.

	2020	2019
Cash	\$ 606,800	\$ 724,428
Short-term investments	992,070	862,190
Accounts receivable	27,951	18,658
Add: endowment fund appropriation for following year	121,350	35,000
Financial assets available to meet cash needs for general expenditures within on year	<u>\$ 1,748,171</u>	<u>\$ 1,640,276</u>