Pony Club
Where it all begins

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.
Lexington, Kentucky

Opinion

We have audited the accompanying financial statements of The United States Pony Clubs, Inc. ("USPC"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USPC as of December 31, 2023 and 2022, and changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the USPC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-03, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the USPC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

<u>Auditor's Responsibilities for the Audit of the Financial Statements</u>

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USPC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the USPC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blue & Co., LLC

Lexington, Kentucky
May 10, 2024

THE UNITED STATES PONY CLUBS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 662,188	$ 855,621
Investments	1,126,715	918,036
Accounts receivable	19,673	12,247
Inventory	11,796	12,156
Prepaid expenses	121,809	272,944
Total current assets	1,942,181	2,071,004
Property and equipment, net	1,247,520	1,232,938
Other noncurrent assets:		
Cash surrender value of life insurance	79,968	76,576
Investments	4,765,353	4,105,160
Total other noncurrent assets	4,845,321	4,181,736
Total assets	$ 8,035,022	$ 7,485,678
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 101,110	$ 149,441
Tenant deposits	7,934	7,934
Deferred income	759,328	731,750
Total current liabilities	868,372	889,125
Net assets:		
Without donor restrictions		
Undesignated	2,404,656	2,495,804
Designated by the Board	4,084,316	3,499,665
Total without donor restrictions	6,488,972	5,995,469
With donor restrictions		
Purpose restricted	617,678	541,084
In perpetuity	60,000	60,000
Total with donor restrictions	677,678	601,084
Total net assets	7,166,650	6,596,553
Total liabilities and net assets	$ 8,035,022	$ 7,485,678

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, 2023

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	In Perpetuity	Total
Support and revenues:				
Support:				
Contributions	$ 331,877	$ 17,730	$ -0-	$ 349,607
Net assets released from restrictions, satisfaction of program restrictions	33,935	(33,935)		-0-
Total support	365,812	(16,205)	-0-	349,607
Contract revenue:				
Annual meeting	98,195			98,195
Event revenue	134,214			134,214
Instruction	43,385			43,385
Membership dues and fees	992,024			992,024
Insurance	170,708			170,708
Shop Pony Club merchandise sales	149,043			149,043
Total contract revenue	1,587,569	-0-	-0-	1,587,569
Other revenue:				
Investment income, net	791,009	92,799		883,808
Rent	94,572			94,572
Other	111,929			111,929
Total other revenue	997,510	92,799	-0-	1,090,309
Total support and revenues	2,950,891	76,594	-0-	3,027,485
Operating expenses:				
Program expenses	1,586,327			1,586,327
Management and general	659,694			659,694
Fundraising	211,367			211,367
Total operating expenses	2,457,388	-0-	-0-	2,457,388
Change in net assets	493,503	76,594	-0-	570,097
Net assets, beginning of year	5,995,469	541,084	60,000	6,596,553
Net assets, end of year	$ 6,488,972	$ 617,678	$ 60,000	$ 7,166,650

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, 2022

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	In Perpetuity	Total
Support and revenues:				
Support:				
Contributions	$ 318,726	$ 10,755	$ 30,000	$ 359,481
KY Non Profit Assistance Fund Program	100,000			100,000
Net assets released from restrictions, satisfaction of program restrictions	36,345	(36,345)		-0-
Total support	455,071	(25,590)	30,000	459,481
Contract revenue:				
Annual meeting	99,687			99,687
Event revenue	159,081			159,081
Instruction	32,185			32,185
Membership dues and fees	1,014,030			1,014,030
Insurance	179,040			179,040
Shop Pony Club merchandise sales	158,511			158,511
Total contract revenue	1,642,534	-0-	-0-	1,642,534
Other revenue:				
Investment income (loss), net	(875,695)	(243,373)		(1,119,068)
Rent	89,606			89,606
Other	109,557			109,557
Total other revenue (loss)	(676,532)	(243,373)	0	(919,905)
Total support and revenues	1,421,073	(268,963)	30,000	1,182,110
Operating expenses:				
Program expenses	1,403,591			1,403,591
Management and general	609,985			609,985
Fundraising	219,253			219,253
Total operating expenses	2,232,829	-0-	-0-	2,232,829
Change in net assets	(811,756)	(268,963)	30,000	(1,050,719)
Net assets, beginning of year	6,807,225	810,047	30,000	7,647,272
Net assets, end of year	$ 5,995,469	$ 541,084	$ 60,000	$ 6,596,553

See accompanying notes to the financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Supporting services		
	Program Services	Management and General	Fundraising	2023 Total
Salaries and wages	$ 463,357	$ 321,223	$ 99,366	$ 883,946
Payroll taxes and employee benefits	128,221	88,889	27,497	244,607
	591,578	410,112	126,863	1,128,553
Annual meeting	68,064			68,064
Awards and scholarships	47,385			47,385
Buildings and occupancy	26,263	19,119	5,580	50,962
Credit card fees	38,380		6,265	44,645
Championships and festivals	193,619			193,619
Committees	4,932			4,932
Shop Pony Club - cost of sales	111,930			111,930
Shop Pony Club - other expenses	11,725			11,725
Depreciation	37,251	27,118	7,915	72,284
General office expense	24,228	17,214	5,172	46,614
Instruction	64,423			64,423
Insurance	118,135	83,932	25,219	227,286
International exchanges	44,475			44,475
Meeting expense	28,979	20,589	6,186	55,754
Member services	55,685			55,685
Postage and printing	26,790	19,034	5,719	51,543
Professional services	46,835	33,275	9,998	90,108
Technology	38,621	27,439	8,245	74,305
Travel	4,408		3,645	8,053
Miscellaneous	2,621	1,862	560	5,043
	$ 1,586,327	$ 659,694	$ 211,367	$ 2,457,388

See accompanying notes to the financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting services: Management and General	Supporting services: Fundraising	2022 Total
Salaries and wages	$ 437,632	$ 322,863	$ 92,310	$ 852,805
Payroll taxes and employee benefits	115,084	84,903	24,275	224,262
	552,716	407,766	116,585	1,077,067
Annual meeting	29,038			29,038
Awards and scholarships	50,745			50,745
Buildings and occupancy	27,168	20,978	1,191	49,337
Credit card fees	36,689		6,484	43,173
Championships and festivals	177,795			177,795
Committees	5,456			5,456
Shop Pony Club - cost of sales	116,579			116,579
Shop Pony Club - other expenses	9,910			9,910
Depreciation	40,146	30,998	1,759	72,903
General office expense	21,144	15,976	2,631	39,751
Instruction	59,977			59,977
Insurance	98,324	74,289	12,235	184,848
International exchanges	38,455			38,455
Meeting expense	26,439	19,975	3,290	49,704
Member services	44,025			44,025
Postage and printing	6,533	2,153	61,277	69,963
Professional services	21,609	16,326	2,689	40,624
Technology	35,028	19,827	3,745	58,600
Travel	3,569		2,912	6,481
Miscellaneous	2,246	1,697	4,455	8,398
	$ 1,403,591	$ 609,985	$ 219,253	$ 2,232,829

See accompanying notes to the financial statements.

THE UNITED STATES PONY CLUBS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 570,097	$ (1,050,719)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	72,284	72,903
Unrealized (gains) losses on investments	(845,633)	1,148,447
Realized (gains) losses on investments	45,074	18,182
Donated securities included in contributions	(2,030)	(1,049)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(7,426)	135,068
Inventory	360	353
Prepaid expenses	151,135	(158,642)
Cash surrender value of life insurance	(3,392)	(6,302)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	(48,331)	76,038
Deferred income	27,578	(32,615)
Net cash flows from operating activities	(40,284)	201,664
Cash flows from investing activities:		
Proceeds from sales of investments	70,176	92,003
Purchases of investments	(136,459)	(143,574)
Purchases of equipment and construction in progress	(86,866)	(183,879)
Net cash flows from investing activities	(153,149)	(235,450)
Cash flows from financing activities:		
Principal payments on long-term debt	0	(4,588)
Net change in cash	(193,433)	(38,374)
Cash, beginning of year	855,621	893,995
Cash, end of year	$ 662,188	$ 855,621

Supplemental disclosures of cash flow information:		
Cash paid for interest expense	$ 0	$ 52
Donated securities	$ 2,030	$ 1,049

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:

- *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.

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. The balance of receivables on January 1, 2022, was $147,315.

Allowance for Credit Losses – Accounts Receivable

Management estimates an allowance for credit losses based on historical experience, the current economic environment, and management’s expectations of future economic conditions based on reasonable and supportable forecasts. USPC also applies adjustments for specific factors and current economic conditions, as needed, at each reporting date.

Management utilizes aging schedules for estimating expected credit losses. In evaluating loss rates, accounts receivable are pooled into categories based on days past due. Significantly aged receivables are evaluated individually by credit worthiness and historical experience with the customers. Account balances are written off against the allowance when management deems the amount is uncollectible. Management has determined no allowance for credit losses is necessary at December 31, 2023 and 2022.

Inventory

Inventory is stated at the lower of cost or net realizable value, 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 $72,284 and $72,903 for 2023 and 2022, 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. The contract liability on January 1, 2022, was $764,365.

Revenue Recognition

USPC derives its revenue primarily from registrations for events, Shop Pony Club merchandise sales, 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.

Shop Pony Club merchandise sales are recognized at the point of sale. Returns are immaterial. Net sales are reflected in the accompanying statement of activities.

All of USPC's membership period runs from January 1st through December 31st. 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.

Rental Income

USPC leases office space and facilities to local horse organizations under operating leases and reports rental income ratably over the life of each lease. Rentals received, but unearned, under the lease agreements are reported as deferred rent. In addition, the USPC has made a policy election to not separate the lease and non-lease components related to tenant lease agreements, where applicable.

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 were available to be issued.

Subsequent Events

USPC evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 10, 2024, which is the date the financial statements were available to be issued.

2. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2023, USPC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, utilizing the modified retrospective approach. This ASU replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The new guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The USPC applied the guidance to financial assets measured at amortized cost (primarily accounts receivable) that existed as of January 1, 2023 (the date of initial application). The adoption of this ASU did not have a material impact on the USPC's financial statements.

3. 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.

4. 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:

	2023	2022
Deferred revenue, beginning of year	$ 731,750	$ 764,365
Revenue recognized during the year	(1,929,832)	(1,232,759)
Increase due to cash received during the year	1,957,410	1,200,144
Deferred revenue, end of year	$ 759,328	$ 731,750

Deferred income consists of the following at December 31:

	2023	2022
Prepaid memberships	$ 561,489	$ 571,805
Prepayment on annual meeting	98,821	91,038
Other prepayments and advanced registrations	99,018	68,907
	$ 759,328	$ 731,750

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2023	2022
Furniture and fixtures	$ 184,370	$ 184,370
Computer equipment and software	759,722	754,966
Building and improvements	2,236,262	2,236,262
Software in process	82,110	-0-
Total property and equipment	3,262,464	3,175,598
Less accumulated depreciation	(2,014,944)	(1,942,660)
Total property and equipment, net	$ 1,247,520	$ 1,232,938

6. INVESTMENTS

Investments consist of the following as of December 31:

	2023	2022
Cash and cash equivalents	$ 1,037,313	$ 834,770
Fixed income mutual funds	328,602	684,850
Equity securities	4,526,153	3,503,576
Total investments	$ 5,892,068	$ 5,023,196

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

	2023	2022
Current assets:		
Investments	$ 1,126,715	$ 918,036
Other assets:		
Designated investments	4,087,675	3,504,076
Purpose restricted investments	617,678	541,084
Endowment investments	60,000	60,000
Total investments	$ 5,892,068	$ 5,023,196

Investment income earned by these investments for the years ended December 31, 2023 and 2022, is reported net on the accompanying statement of activities and changes in net assets as follows:

	2023	2022
Interest and dividend income	$ 140,420	$ 114,992
Realized and unrealized gains (losses)	800,559	(1,166,629)
Investment management fees	(57,171)	(67,431)
Net investment income	$ 883,808	$ (1,119,068)

7. 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, 2023 and 2022.

- *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.

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, 2023:

	Level 1	Level 2	Level 3	Total
Large Cap Growth	$ 1,138,803	$ -0-	$ -0-	$ 1,138,803
Large Cap Blend	499,013			499,013
Large Cap Value	648,239			648,239
Mid Cap Growth	779,975			779,975
Mid Cap Blend	785,880			785,880
Mid Cap Value	296,569			296,569
Small Cap Growth	136,583			136,583
Small Cap Blend	144,796			144,796
Small Cap Value	96,294			96,294
Sector	28,153			28,153
Large Capitalization Global Stock	1,350			1,350
Large Cap Foreign Equity	80,185			80,185
Preferred Stock	210,031			210,031
Other	8,884			8,884
Total investments at fair value	$ 4,854,755	$ -0-	$ -0-	4,854,755
Cash and cash equivalents				1,037,313
Total				$ 5,892,068

The following table presents the fair values of those investments at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Large Cap Growth	$ 778,974	$ -0-	$ -0-	$ 778,974
Large Cap Blend	813,709			813,709
Large Cap Value	310,142			310,142
Mid Cap Growth	769,342			769,342
Mid Cap Blend	561,194			561,194
Mid Cap Value	76,149			76,149
Small Cap Growth	135,878			135,878
Small Cap Blend	46,041			46,041
Small Cap Value	9,587			9,587
Sector	123,131			123,131
Large Capitalization Global Stock	27,210			27,210
Large Cap Foreign Equity	86,942			86,942
Preferred Stock	257,665			257,665
Other	192,462			192,462
Total investments at fair value	$ 4,188,426	$ -0-	$ -0-	4,188,426
Cash and cash equivalents				834,770
Total				$ 5,023,196

8. LONG-TERM DEBT

The USPC had a loan for $368,624 at a fixed rate of 4.5% which was secured by the headquarters building. Monthly principal and interest payments of $3,836 commenced on March 15, 2012 and the loan matured on February 15, 2022. Interest expense was $1,322 in 2022.

9. BOARD DESIGNATED NET ASSETS

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

	2023	2022
Board designated reserve	$ 3,619,749	$ 3,078,124
Building fund	150,940	134,845
Insurance and equipment funds	313,627	286,696
Total board designated net assets	$ 4,084,316	$ 3,499,665

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.

10. ENDOWMENTS

As of December 31, 2023, USPC had four 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 four 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.

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 2023 and 2022, there were no deficiencies of this nature.

Return Objectives and Risk Parameters

USPC has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. 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 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.

Composition of and changes in the designated net assets and permanently restricted net assets for the year ended December 31, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	
		Purpose restricted	In perpetuity
Beginning of year	$ 3,499,665	$ 34,228	$ 60,000
Contributions	2,100	1,400	-0-
Income earned on investments	90,648	2,918	-0-
Net realized gains (losses) on investments	13,284	(5,938)	-0-
Unrealized gains (losses) on investments	522,367	20,592	-0-
Amounts appropriated for expenditure	(43,748)	(2,790)	-0-
End of year	$ 4,084,316	$ 50,410	$ 60,000

Composition of and changes in the designated net assets and permanently restricted net assets for the year ended December 31, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	
		Purpose restricted	In perpetuity
Beginning of year	$ 4,128,038	$ 56,369	$ 30,000
Contributions	12,100	7,005	30,000
Income earned on investments	63,433	651	-0-
Net realized gains (losses) on investments	26,807	(232)	-0-
Unrealized gains (losses) on investments	(684,967)	(25,220)	-0-
Amounts appropriated for expenditure	(45,746)	(4,345)	-0-
End of year	$ 3,499,665	$ 34,228	$ 60,000

11. 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 at December 31:

	2023	2022
Renfro Fund	$ 32,000	$ 27,438
Taylor/Hundt Fund	19,108	16,889
International Exchange and Special Opportunities Fund	147,586	140,463
Lenhert Fund	38,039	17,873
Brennan Memorial	92,842	88,774
Brookfield Fund	34,159	30,799
Helbert Fund	11,253	9,816
Margo Leithead Award	22,996	20,447
Mattingly Fund	135,607	125,078
Penrose Leadership Fund	36,894	30,091
Middle Tennessee	26,018	22,659
Bodgie Read Memorial Fund	11,077	8,281
Reader Horse Management Fund	36,420	33,196
Disaster Relief Fund	33,679	29,280
	$ 677,678	$ 601,084

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.

International Exchange and Special Opportunities Fund – this is the consolidation of the Pitts Memorial, Strassburger Memorial, and Inter-Pacific funds which was formed in 2022 for the purpose of centralizing funding for all special opportunities. It represents donor restricted net assets for the support the hosting by USPC of International Exchanges including Foxhunting, Inter-Pacific, Mounted Games, Quiz, and Tetrathlon. 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.

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.

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.

Bodgie Read Memorial College Scholarship Fund – represents donor restricted net assets for the purpose of supporting Pony Club members who show a commitment to volunteering and a love of and participation in Dressage and Eventing competitions. In 2021, USPC received an initial investment of $10,000 for the purpose of Dressage and Eventing competitions. 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.

Reader Horse Management Educational Fund – represents donor restricted net assets for the purpose of providing travel grants to volunteer Provisional Chief Horse Management Judges to fulfill their requirements to become a Chief Horse Management Judge. In 2022, USPC received an initial investment of $35,000. $30,000 of the initial investment is to remain in the endowment, while the interest earned, and subsequent gifts can be used for expenditures that meets its purpose.

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.

12. TEAM KENTUCKY NONPROFIT ASSISTANCE FUND PROGRAM

In August 2022, the USPC applied for the Team Kentucky Nonprofit Assistance Fund Program. The purpose of this fund is to make one-time direct relief payments to eligible nonprofit organizations that are based in Kentucky, in active operation, remain active for the entirety of calendar year 2022 and have experienced net negative revenue between calendar years 2020 and 2021. The USPC's application was accepted and an award of $100,000 was granted in October 2022. USPC recognized the full amount of this award as grant revenue in 2022.

13. LEASES AS LESSOR

In evaluating contracts to determine if they qualify as a lease, the USPC considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the USPC can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the USPC assesses all relevant factors related to options to extend or terminate a lease. These evaluations may require significant judgment.

USPC is the lessor under four tenant agreements in two buildings which provide office space and facilities to local horse organizations. Lease terms range from month-to-month to four years and include certain renewal options as stated in each lease agreement. Rent is due on the 1st of each calendar month. Three leases combined make up approximately 50% of one building's square footage at December 31, 2023 and 2022, and the fourth lease makes up 37% of the second building's square footage at December 31, 2023 and 2022. Occupancy expenses related to the tenants are included in management and general expenses on the statements of activities and the statements of functional expenses.

Total rental income under operating leases was $94,572 and $89,606 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, there was no deferred rent.

Future minimum rental payments due under these lease agreements at December 31, 2023 are as follows:

2024		44,489
2025		38,073
2026		38,073
Total	$	120,635

14. 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 $14,401 and $12,055 in 2023 and 2022, respectively.

15. RELATED PARTIES

Contribution income for 2023 and 2022 included $64,553 and $52,016, respectively, from members of the Board of Governors, Advisory Committee, and staff.

16. 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.

17. 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.

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, 2023 and 2022, 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.

18. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of USPC'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.

	2023	2022
Cash	$ 662,188	$ 855,621
Short-term investments	1,126,715	918,036
Accounts receivable	19,673	12,247
Add: endowment fund appropriation for following year	45,000	45,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,853,576	$ 1,830,904

19. CONTINGENT LIABILITIES

The USPC is subject to claims and lawsuits in the normal course of operations. The USPC insures against such risks when appropriate. In 2023, the USPC was named a defendant in a lawsuit filed by a former member with claims originating in 1977. The range of any potential damages is indeterminate as of the date the financial statements were available to be issued. No accrual for a potential loss has been recorded at December 31, 2023, due to the uncertainty of the matter.