

THE DRESSAGE FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

THE DRESSAGE FOUNDATION, INC.
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Dressage Foundation, Inc.
Lincoln, Nebraska

We have audited the accompanying financial statements of The Dressage Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Auditors' 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dressage Foundation, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in 2018, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants and awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dana F Cole + Company, LLP

Lincoln, Nebraska
March 18, 2019

THE DRESSAGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
ASSETS		
Cash	89,517	33,789
Interest receivable	3,117	2,425
Prepaid expenses	1,442	1,386
Investments	2,459,395	2,671,983
Property and equipment, net of accumulated depreciation of \$60,120 for 2018 and \$55,345 for 2017	142,599	147,374
Contributions receivable - split-interest agreements	<u>952,140</u>	<u>874,145</u>
TOTAL ASSETS	<u><u>3,648,210</u></u>	<u><u>3,731,102</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	737	1,901
Grants payable	103,063	69,763
Payroll taxes payable	870	921
Other expenses accrued	2,380	4,076
Income taxes payable	244	
Gift annuities payable	<u>31,861</u>	<u>33,384</u>
Total liabilities	<u>139,155</u>	<u>110,045</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	(6,059)	9,630
Designated	<u>328,612</u>	<u>345,990</u>
	<u>322,553</u>	<u>355,620</u>
Net assets with donor restrictions		
Restricted by purpose	3,136,502	3,215,437
Restricted in perpetuity	<u>50,000</u>	<u>50,000</u>
	<u>3,186,502</u>	<u>3,265,437</u>
Total net assets	<u>3,509,055</u>	<u>3,621,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,648,210</u></u>	<u><u>3,731,102</u></u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	106,942	137,137	244,079
Grants payable rescinded by donee	3,750	2,243	5,993
Income (loss) from investments	(6,938)	42,631	35,693
Loss on sale of investments		(6,791)	(6,791)
Unrealized loss on investments		(85,477)	(85,477)
Unrealized gain on contributions receivable - split-interest agreements		77,995	77,995
Actuarial adjustments - annuities	(4,797)		(4,797)
	<u>98,957</u>	<u>167,738</u>	<u>266,695</u>
Net assets released from restrictions	<u>246,673</u>	<u>(246,673)</u>	
Total revenues, gains, and other support	<u>345,630</u>	<u>(78,935)</u>	<u>266,695</u>
EXPENSES			
Program services			
Dressage program expenses	123,857		123,857
Grants and awards	191,530		191,530
Total program services	<u>315,387</u>		<u>315,387</u>
Supporting services			
Management and general	31,292		31,292
Fundraising	31,774		31,774
Total supporting services	<u>63,066</u>		<u>63,066</u>
Total expenses	<u>378,453</u>		<u>378,453</u>
CHANGE IN NET ASSETS BEFORE INCOME TAX EXPENSE			
	(32,823)	(78,935)	(111,758)
INCOME TAX EXPENSE			
	<u>244</u>		<u>244</u>
CHANGE IN NET ASSETS			
	(33,067)	(78,935)	(112,002)
NET ASSETS, beginning of year			
	<u>355,620</u>	<u>3,265,437</u>	<u>3,621,057</u>
NET ASSETS, end of year			
	<u>322,553</u>	<u>3,186,502</u>	<u>3,509,055</u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	110,248	93,535	203,783
Grants payable rescinded by donee		800	800
Income from investments		31,596	31,596
Gain on sale of investments		33,616	33,616
Unrealized gain on investments		198,261	198,261
Unrealized gain on contributions receivable - split-interest agreements		388,129	388,129
Actuarial adjustments - annuities	(4,774)		(4,774)
	<u>105,474</u>	<u>745,937</u>	<u>851,411</u>
Net assets released from restrictions	<u>489,247</u>	<u>(489,247)</u>	
Total revenues, gains, and other support	<u>594,721</u>	<u>256,690</u>	<u>851,411</u>
 EXPENSES			
Program services			
Dressage program expenses	128,547		128,547
Grants and awards	108,327		108,327
Total program services	<u>236,874</u>		<u>236,874</u>
Supporting services			
Management and general	29,864		29,864
Fundraising	32,559		32,559
Total program services	<u>62,423</u>		<u>62,423</u>
Total expenses	<u>299,297</u>		<u>299,297</u>
CHANGE IN NET ASSETS	295,424	256,690	552,114
NET ASSETS, beginning of year	<u>60,196</u>	<u>3,008,747</u>	<u>3,068,943</u>
NET ASSETS, end of year	<u>355,620</u>	<u>3,265,437</u>	<u>3,621,057</u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			All Expenses 2018
	Dressage Program Expenses	Grants and Awards	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants and awards		191,530	191,530				191,530
Targets of Opportunity	9,281		9,281				9,281
Lunch series/events	1,680		1,680				1,680
Salaries and wages	66,657		66,657	9,522	19,045	28,567	95,224
Payroll tax expense	5,099		5,099	729	1,457	2,186	7,285
Employee benefits	2,000		2,000	286	571	857	2,857
Accounting	6,456		6,456	4,304		4,304	10,760
Artwork and design	715		715		352	352	1,067
Awards - general	619		619				619
Bank charges				1,361		1,361	1,361
Benefit class awards	374		374				374
Computer services	3,030		3,030		1,493	1,493	4,523
Conferences, conventions, and meetings				570		570	570
Condo fees	3,437		3,437	430	430	860	4,297
Depreciation	3,819		3,819	478	478	956	4,775
Dues and subscriptions	737		737				737
Entertainment	121		121				121
Insurance	2,867		2,867	358	358	716	3,583
Legal expense	1,160		1,160	5,410	1,159	6,569	7,729
Meetings - TDF				2,314		2,314	2,314
Meetings - USDF				1,672		1,672	1,672
Meetings - general				2,945		2,945	2,945
Miscellaneous	202		202				202
Postage and freight	3,279		3,279		2,186	2,186	5,465
Printing and publications	4,997		4,997		3,332	3,332	8,329
Promotions	25		25				25
Repairs and maintenance	151		151	19	19	38	189
Supplies	864		864	108	108	216	1,080
Taxes	1,904		1,904	238	238	476	2,380
Telephone expense	3,875		3,875	484	484	968	4,843
Utilities	508		508	64	64	128	636
TOTALS	<u>123,857</u>	<u>191,530</u>	<u>315,387</u>	<u>31,292</u>	<u>31,774</u>	<u>63,066</u>	<u>378,453</u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			All Expenses 2017
	Dressage Program Expenses	Grants and Awards	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants and awards		108,327	108,327				108,327
Century Club Fund	6,783		6,783				6,783
Targets of Opportunity	5,106		5,106				5,106
Salaries and wages	62,846		62,846	8,978	17,956	26,934	89,780
Payroll tax expense	4,807		4,807	687	1,374	2,061	6,868
Employee benefits	1,885		1,885	269	539	808	2,693
Accounting	6,456		6,456	4,304		4,304	10,760
Advertising	460		460				460
Artwork and design	1,278		1,278		630	630	1,908
Awards - general	321		321				321
Bank charges				1,320		1,320	1,320
Benefit class awards	244		244				244
Computer services	3,159		3,159		1,556	1,556	4,715
Conferences, conventions, and meetings				2,395		2,395	2,395
Condo fees	3,388		3,388	423	423	846	4,234
Depreciation	5,045		5,045	631	631	1,262	6,307
Dues and subscriptions	848		848				848
Insurance	2,785		2,785	348	348	696	3,481
Legal expense	1,163		1,163	5,429	1,163	6,592	7,755
Meetings - USDF				1,866		1,866	1,866
Meetings - general				2,276		2,276	2,276
Miscellaneous	118		118				118
Postage and freight	3,545		3,545		2,363	2,363	5,908
Printing and publications	6,956		6,956		4,638	4,638	11,594
Promotions	2,454		2,454				2,454
Supplies	551		551	69	69	138	689
Taxes	3,260		3,260	408	408	816	4,076
Telephone expense	3,170		3,170	396	396	792	3,962
Travel and mileage	1,395		1,395				1,395
Utilities	524		524	65	65	130	654
TOTALS	<u>128,547</u>	<u>108,327</u>	<u>236,874</u>	<u>29,864</u>	<u>32,559</u>	<u>62,423</u>	<u>299,297</u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	<u>(112,002)</u>	<u>552,114</u>
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Permanently restricted contributions	(120)	(120)
Grants payable rescinded by donee	(5,993)	(800)
(Gain) loss on sale of investments	6,791	(33,616)
Unrealized (gain) loss on investments	85,477	(198,261)
Actuarial adjustments - annuities	4,797	4,774
Depreciation	4,775	6,307
(Increase) decrease in:		
Interest receivable accrued	(692)	(247)
Prepaid expenses	(56)	3,741
Contributions receivable - split-interest agreements	(77,995)	(388,129)
Increase (decrease) in:		
Accounts payable	(1,164)	(986)
Grants payable	39,293	(23,765)
Payroll taxes payable	(51)	245
Other expenses accrued	(1,696)	786
Income taxes payable	244	
Gift annuities payable	(6,320)	(6,320)
Total adjustments	<u>47,290</u>	<u>(636,391)</u>
Net cash used in operating activities	<u>(64,712)</u>	<u>(84,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	269,249	113,089
Purchases of investments	<u>(148,929)</u>	<u>(26,018)</u>
Net cash provided by investing activities	<u>120,320</u>	<u>87,071</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>120</u>	<u>120</u>
Net cash provided by financing activities	<u>120</u>	<u>120</u>

THE DRESSAGE FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET INCREASE IN CASH	55,728	2,914
CASH, beginning of year	<u>33,789</u>	<u>30,875</u>
CASH, end of year	<u>89,517</u>	<u>33,789</u>
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Purchases of investments	154,578	26,535
Contributions of investments	<u>(5,649)</u>	<u>(517)</u>
Cash paid for purchases of investments	<u>148,929</u>	<u>26,018</u>

See accompanying notes to financial statements.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Dressage Foundation, Inc., promotes excellence in dressage and growth in affiliated organizations and is dedicated to the advancement and support of classical dressage. The Foundation is supported by contributions from individuals, corporations, and other organizations.

Classes of Net Assets

The financial statements report amounts by class of net assets.

Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or annuity reserves.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations and scholarships.

Contributions

The Foundation utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2018 and 2017, there were no cash equivalents.

Investments

The Foundation utilizes FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Foundation provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 5 to 39 years.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable.

The Foundation utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Compensated Absences

Compensated absences for vacation pay, sick pay, and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

Advertising

Advertising costs of the Foundation are expensed as incurred. Advertising expense was \$- 0 - and \$460 for the years ended 2018 and 2017, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncement

Effective January 1, 2018, the Foundation adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Foundation's financial statements are as follows:

- Revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes,
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions, and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement (Continued)

The financial statements for the year ended December 31, 2017, have been retroactively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statement of activities for the year ended December 31, 2017.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

The Foundation had deposits in one financial institution, which is fully insured by the \$250,000 limit insured by the Federal Deposit Insurance Corporation as of December 31, 2018 and 2017, respectively.

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of contributions receivable - split-interest agreements. Such credit risk is considered by the Foundation to be limited due to commitment of the unitrust, their financial resources, and their support of the program for which the receivable is intended. As of December 31, 2018 and 2017, the Foundation had no significant concentrations of credit risk.

NOTE 3. INVESTMENTS

The Foundation utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Level 1 (Continued) - securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair values of investments measured at December 31, 2018 and 2017, are as follows:

	2018			
	Total	Level 1	Level 2	Level 3
Trading securities				
Cash and cash equivalents	280,970	280,970		
Certificates of deposit	591,164	591,164		
Equity securities	<u>1,587,261</u>	<u>1,587,261</u>		
Totals	<u>2,459,395</u>	<u>2,459,395</u>		
	2017			
	Total	Level 1	Level 2	Level 3
Trading securities				
Cash and cash equivalents	276,109	276,109		
Certificates of deposit	599,691	599,691		
Equity securities	<u>1,796,183</u>	<u>1,796,183</u>		
Totals	<u>2,671,983</u>	<u>2,671,983</u>		

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2018 and 2017, are as follows:

	2018			
	Total Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Trading securities				
Cash and cash equivalents	280,970			280,970
Certificates of deposit	597,805		6,641	591,164
Equity securities	875,476	711,785		1,587,261
Total trading securities	1,754,251	711,785	6,641	2,459,395
	2017			
	Total Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Trading securities				
Cash and cash equivalents	276,109			276,109
Certificates of deposit	598,080	1,611		599,691
Equity securities	1,007,173	789,010		1,796,183
Total trading securities	1,881,362	790,621		2,671,983

On the basis of its analysis of the nature, characteristics, and risks of the securities, the Foundation has determined that presenting them by fund is appropriate.

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Foundation to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines were deemed to be other than temporary.

All realized and unrealized gains and losses and income or loss arising from investments are accounted for in the statements of activities as increases or decreases to net assets.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

The major classes of property and equipment in service at December 31, 2018 and 2017, are as follows:

	2018	2017
Office condo	181,842	181,842
Equipment	9,310	9,310
Furniture and fixtures	<u>11,567</u>	<u>11,567</u>
	202,719	202,719
Less accumulated depreciation	<u>(60,120)</u>	<u>(55,345)</u>
Net property and equipment	<u>142,599</u>	<u>147,374</u>

NOTE 5. CONTRIBUTIONS RECEIVABLE - SPLIT-INTEREST AGREEMENTS

During 2001, a donor established a charitable remainder unitrust with a local trust company. The charitable remainder unitrust provides for annual payments to designated beneficiaries. The Foundation is the sole remainder beneficiary of the charitable remainder unitrust which is due to the Foundation at the end of the joint life expectancies of the donors, which is approximately one year or in 2019. The present value of the unitrusts at December 31, 2018 and 2017, was \$186,005 and \$204,941, respectively.

	2018	2017
Value of unitrust	299,574	340,022
Discount (7%) to present value	<u>(113,569)</u>	<u>(135,081)</u>
Present value of unitrust	<u>186,005</u>	<u>204,941</u>

During 2009, a donor established a charitable remainder unitrust with a local trust company. The charitable remainder unitrust provides for annual payments to designated beneficiaries. The Foundation is the sole remainder beneficiary of the charitable remainder unitrust which is due to the Foundation in December 2019.

The present value of the unitrust at December 31, 2018 and 2017, was \$766,135 and \$669,204, respectively.

	2018	2017
Value of unitrust	860,829	797,033
Discount (6%) to present value	<u>(94,694)</u>	<u>(127,829)</u>
Present value of unitrust	<u>766,135</u>	<u>669,204</u>

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. NET ASSETS

Net assets consist of:

	2018	2017
Net assets without donor restrictions:		
Undesignated	(6,059)	9,630
Designated for gift annuities	31,861	33,384
Designated for operating reserve	<u>296,751</u>	<u>312,606</u>
Total net assets without donor restrictions	<u>322,553</u>	<u>355,620</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose		
Endowment accumulated gains (losses)	(4,181)	1,914
Charitable trusts and annuities	952,140	874,145
Scholarships, education, and support	<u>2,188,543</u>	<u>2,339,378</u>
	<u>3,136,502</u>	<u>3,215,437</u>
Subject to restriction in perpetuity:		
Endowment funds restricted in perpetuity	<u>50,000</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>3,186,502</u>	<u>3,265,437</u>
	<u>3,509,055</u>	<u>3,621,057</u>

NOTE 7. ENDOWMENT FUNDS

The Foundation's endowment consists of one individual fund established to fund grants for educational events to benefit members of the dressage community. Its endowment includes both donor-restricted fund and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gifts amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and, (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by management in a manner consistent with that standard of prudence prescribed by UPMIFA.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

We consider 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 purposes of the Foundation 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 Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund as of December 31, 2018:

	Without donor restrictions	With Donor Restrictions			Total Funds
		Amount to be held perpetuity	Accumulated gains (losses) and other	Total with donor restrictions	
Donor-restricted endowment funds	<u>- 0 -</u>	<u>50,000</u>	<u>(4,181)</u>	<u>45,819</u>	<u>45,819</u>

Endowment net asset composition by type of fund as of December 31, 2017:

	Without donor restrictions	With Donor Restrictions			Total Funds
		Amount to be held perpetuity	Accumulated gains (losses) and other	Total with donor restrictions	
Donor-restricted endowment funds	<u>- 0 -</u>	<u>50,000</u>	<u>1,914</u>	<u>51,914</u>	<u>51,914</u>

Included in accumulated gains (losses) and other are accumulated investment returns and term endowment funds which total \$45,819 and \$51,914 at December 31, 2018, and December 31, 2017, respectively. Term endowments are gifts of cash and other assets with stipulations that they be invested to provide a source of income for a specified term and that the income be used for a specified purpose are both time and purpose restricted.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without donor restrictions	With Donor Restrictions			Total Funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Endowment net assets, beginning of year	- 0 -	50,000	1,914	51,914	51,914
Investment return (loss), net			(2,493)	(2,493)	(2,493)
Contributions			120	120	120
Amounts appropriated for expenditure			(3,722)	(3,722)	(3,722)
Endowment net assets, end of year	- 0 -	50,000	(4,181)	45,819	45,819

Changes in endowment net assets for the year ended December 31, 2017:

	Without donor restrictions	With Donor Restrictions			Total Funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Endowment net assets, beginning of year	- 0 -	50,000	386	50,386	50,386
Investment return, net			4,068	4,068	4,068
Contributions			120	120	120
Amounts appropriated for expenditure			(2,660)	(2,660)	(2,660)
Endowment net assets, end of year	- 0 -	50,000	1,914	51,914	51,914

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018 and 2017, funds with deficiencies of \$4,181 and \$- 0 -, respectively were reported in net assets with donor restrictions.

NOTE 8. RETIREMENT PLAN

The Foundation maintains SIMPLE IRA accounts for all eligible employees, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have met the service requirements. The Foundation contributes 3% of gross wages to the participating employees' accounts. The Foundation's expense totaled \$2,857 and \$2,693 for the years ended December 31, 2018 and 2017, respectively.

THE DRESSAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

Cash	89,517
Investments appropriate for current use	<u>315,777</u>
	<u>405,294</u>

The Foundation's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific purposes and, therefore, is not available for general expenditures.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments. Although the Foundation does not intend to spend from its investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

NOTE 10. COST ALLOCATION

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort.

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 18, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE DRESSAGE FOUNDATION, INC.
SCHEDULES OF GRANTS AND AWARDS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
GRANTS AND AWARDS		
Funding Direct to United States Dressage Federation, Inc. (USDF)		
USDF Junior/Young Rider Clinic Series	10,000	10,000
USDF/USEF Young Rider Graduate Program		15,000
	<u>10,000</u>	<u>25,000</u>
Funding Direct to USDF Group Member Organizations/Chapters and Nonprofit Equestrian Groups/Clubs:		
Violet M. Hopkins Fund	17,116	5,675
Dancing Horse Freestyle Fund	398	3,789
ODS Linda Acheson Education Fund	3,800	2,660
Sally Swift Fund	1,065	1,375
Michael Poulin Dressage Fund	5,000	
Edgar Hotz Judges Education Fund	980	1,370
General Grant Fund	5,000	
	<u>33,359</u>	<u>14,869</u>
Funding to Individual Riders, Trainers, Instructors, Judges, and Breeders:		
Carol Lavell Advanced Dressage Prize	50,000	25,000
Anne B. Ramsay Annual Grant	25,000	
Advanced Young Rider International Dream Program	17,880	4,748
Gifted Fund Adult Amateur Scholarships	11,000	6,000
Continuing Education for Instructors Fund	7,250	3,760
Region 9 Teaching Excellence Award	5,000	5,000
Trip Harting Grant		1,000
Elysium Farm Breeders Fund	2,500	1,000
Major Anders Lindgren Scholarships	10,000	10,000
Century Club	7,591	
Para-Equestrian Dressage Fund	2,000	
Veronica Hold Dressage TD Fund	500	
Evie Tumlin Memorial Fund	800	1,000
Captain Jack Fritz Young Professionals Grants		2,500
Lloyd Landkamer Show Management Development Fund	400	250
Shannon Foundation Fund for Judges Licensing	3,000	2,900
Patsy Albers Award Fund	1,000	1,000
Carolyn Van Cise Fund	500	500
Karen Skvarla Fund	750	750
Cynthia Aspden Youth Fund	3,000	3,050
	<u>148,171</u>	<u>68,458</u>
TOTAL GRANTS AND AWARDS	<u>191,530</u>	<u>108,327</u>