

**THOROUGHBRED CHARITIES  
OF AMERICA, INC.  
LEXINGTON, KENTUCKY**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDING DECEMBER 31, 2023

Prepared by:

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
of Thoroughbred Charities of America, Inc.

### **Opinion**

We have audited the accompanying financial statements of Thoroughbred Charities of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Thoroughbred Charities of America, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 Thoroughbred Charities of America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 Thoroughbred Charities of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 Thoroughbred Charities of America, Inc.'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Thoroughbred Charities of America, Inc.'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.

*White & Associates, PSC*

Richmond, KY  
August 1, 2024

**THOROUGHbred CHARITIES OF AMERICA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

CURRENT ASSETS:

Cash without Donor Restrictions	\$	1,155,528
Accounts Receivable		38,760
Investments without Donor Restrictions		221,247
Prepaid Expenses		16,732
Total Current Assets		1,432,267

RESTRICTED ASSETS:

Cash with Donor Restrictions		412,784
Investments with Donor Restrictions		84,478
Total Restricted Assets		497,262

OTHER ASSETS

Right-to-Use Operating Assets, Net		26,053
Total Other Assets		26,053

TOTAL ASSETS \$ 1,955,582

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES:

Accounts Payable	\$	55,350
Deferred Income		1,000
Lease Liability, Current Portion		14,312
Total Current Liabilities		70,662

LONG-TERM LIABILITIES:

Lease Liability, Long-Term Portion		15,025
Total Long-Term Liabilities		15,025

TOTAL LIABILITIES \$ 85,687

NET ASSETS:

Without Donor Restrictions		1,372,633
With Donor Restrictions		497,262
Total Net Assets		1,869,895

TOTAL LIABILITIES AND NET ASSETS \$ 1,955,582

The Accompanying Notes Are An Integral Part Of These Financial Statements

**THOROUGHBRED CHARITIES OF AMERICA, INC**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND SUPPORT:</b>			
Donations	\$ 1,004,504	\$ 16,882	\$ 1,021,386
Gifts In-Kind	200,826	-	200,826
Special Events	1,670,497	-	1,670,497
Investment Return, Net of Expenses	44,852	17,614	62,466
Other Income	229	-	229
Net Assets Released from Restrictions and Reclassifications	131,748	(131,748)	-
Total Revenues, Gains and Support	<u>3,052,656</u>	<u>(97,252)</u>	<u>2,955,404</u>
<b>EXPENSES:</b>			
Program	1,165,308	-	1,165,308
Costs of Direct Benefits to Donors	15,626	-	15,626
Supporting Services:			
Management and General	20,863	-	20,863
Fundraising	1,352,123	-	1,352,123
Total Expenses	<u>2,553,920</u>	<u>-</u>	<u>2,553,920</u>
Change in Net Assets	<u>498,736</u>	<u>(97,252)</u>	<u>401,484</u>
Net Assets, Beginning of year	884,897	594,514	1,479,411
Prior Period Adjustment	(11,000)	-	(11,000)
Net Assets, Beginning of year, Restated	<u>\$ 873,897</u>	<u>\$ 594,514</u>	<u>\$ 1,468,411</u>
Net Assets, End of year	<u>\$ 1,372,633</u>	<u>\$ 497,262</u>	<u>\$ 1,869,895</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**THOROUGHbred CHARITIES OF AMERICA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Expenses</u>		<u>Supporting Services Expenses</u>		<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>Direct Benefits to Donors</u>	<u>General &amp; Admin</u>	<u>Fundraising Expenses</u>	
Grants Awarded	\$ 897,078	\$ -	\$ -	\$ -	\$ 897,078
Salaries & Wages	146,560	-	11,399	4,885	162,844
Employee Benefits	21,238	-	1,652	708	23,598
Payroll Taxes	11,779	-	916	393	13,088
Professional Fees	28,729	-	2,234	958	31,921
Contract Services	19,280	-	1,500	643	21,423
Office Expense	1,224	-	95	41	1,360
Interest Expense	1,466	-	114	49	1,629
Amortization Expense	11,724	-	912	391	13,027
Travel Expense	4,597	-	358	153	5,108
Insurance Expense	2,577	-	200	86	2,863
Bank Charges	3,300	-	257	110	3,667
Postage	3,483	-	271	116	3,870
Printing	7,210	-	561	240	8,011
Miscellaneous Expense	3,587	-	279	120	3,986
Telephone Expense	1,476	-	115	49	1,640
Uncollectible Receivables	-	-	-	-	-
Special Event Expense	-	15,626	-	1,343,181	1,358,807
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	\$ <u>1,165,308</u>	\$ <u>15,626</u>	\$ <u>20,863</u>	\$ <u>1,352,123</u>	\$ <u>2,553,920</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 401,484
Adjustments to reconcile Change in Net Assets to Net Cash (Used in) Operating Activities:	
Realized and Unrealized (Gains) / Losses on Investments	27,799
Operating Leases	(645)
Changes in Operating Assets and Liabilities:	
Decrease (increase) in Prepaid Expenses	(3,286)
Decrease (increase) in Accounts Receivable	78,109
Increase (decrease) in Accounts Payable	44,458
Increase (decrease) in Deferred Income	(3,000)
Net Cash Provided by (Used in) Operating Activities	<u>544,919</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of Investments	<u>(63,098)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(63,098)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>481,821</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u><b>1,086,491</b></u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u><b>\$ 1,568,312</b></u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>	
Cash without Donor Restrictions	\$ 1,155,528
Cash with Donor Restrictions	412,784
<b>Total Cash and Cash Equivalents</b>	<u><u><b>\$ 1,568,312</b></u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>	
Noncash Contributions	\$ 200,826
Interest Expense Paid	\$ 1,629

The Accompanying Notes Are An Integral Part Of These Financial Statements



**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

The Thoroughbred Charities of America, Inc. (the Organization) is a non-profit organization originally founded in Middletown, Delaware in 1990 and relocated to Lexington, Kentucky in 2008. The Organization was established to fund and facilitate the support of Thoroughbreds and the people who care for them. The Organization is supported principally through donations and the annual auction of donated items and stallion seasons.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Organization in the preparation of its financial statements.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification (FASC). Under FASC, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows.

*Net assets without donor restrictions-* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

*Net assets with donor restrictions-* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Asset and Liability Liquidity**

On the statement of financial position, the assets have been presented in a sequence according to their nearness of conversion to cash and the liabilities have been sequenced according to their nearness of their maturity and resulting use of cash.

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Cash with Donor Restrictions

Cash with donor restrictions consists of donor-imposed restrictions for specified purposes as follows:

<u>Cash with Donor Restrictions</u>	<u>December 31, 2023</u>
Como Application	\$ 28,063
Donor Designated Granting	23,750
Horses First Fund	<u>360,971</u>
Total Cash with Donor Restrictions	\$ <u>412,784</u>

Accounts Receivable

The Organization's management considers the collection of accounts receivable to be likely. The board will make the decision to formally write off the receivables at their discretion if deemed uncollectible. If amounts previously written off are collected, they will be credited to income when received. Accounts receivables are stated at their unpaid balances.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of assets, liabilities, and net assets. For contributed investments, fair value of the gift is determined by the market value at the date of donation. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by the donor are reported as increases in net assets without restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment return is reported net of external and direct internal expenses.

Support and Revenues

Revenue from the auction is recognized in the period in which the function occurs. Contributions are recognized in the period received as net assets without donor restrictions or donor restricted net assets, depending on the existence and/or nature of any donor restriction.

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

In-Kind Donations

The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these donated services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated in-kind goods are recorded at fair value at the date of donation. For the year ended December 31, 2023, donated in-kind goods received were \$200,826. See Note 17 for additional disclosures related to In-Kind Donations.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The various forms of advertising are expensed as incurred. For the year ended December 31, 2023 advertising cost totaled \$4,336 and is included in the Special Event Expense.

Income Taxes

The Thoroughbred Charities of America, Inc. is a tax-exempt organization under the laws of Kentucky and has been granted exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has evaluated the tax positions taken on all income tax returns that remain open to examination (those returns filed for tax years 2021 through 2023) by the respective taxing authorities. The Organization does not believe that there are any uncertain positions on those returns that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and prepaid expenses approximate their fair values because of the relatively short maturity of these instruments.

Functional Expenses

Expenses are charged to program and supporting services based on a combination of specific identification and allocation of management.

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Leases and Lease Capitalization Policy

The adoption of FASB ASC 842 Leases, requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, if the Organization is not expected to consume a major part of the economic benefits of the assets the leases are classified as operating leases. The lease classification affects both the pattern and presentation of expense recognized in the statement of activities, the categorization of assets and liabilities in the statement of financial position, and classification of cash flows in the statements of cash flows. Total lease cost consists of amortization expense related to the yearly write-off of right-of-use assets and interest expense from lease liabilities. For financing leases, total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term. Lease liabilities are measured and recorded at the present value of future lease payments using a discount rate. The Organization lease agreements usually do not contain an explicit interest rate, so the Organization applies the borrowing rate of their current loan obligations. Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date. The Organization adopted a lease capitalization threshold of \$5,000. Lease contracts above this threshold will be represented in the Organization financial statements as a right to use asset and lease liability.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is effective for fiscal years beginning after December 15, 2022, with early application permitted. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization implemented this standard during the year ended December 31, 2023, and it did not have a material effect on the financial statements.

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. Thoroughbred Charities of America, Inc. maintains cash accounts with a single bank in Kentucky. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 – CONCENTRATION OF CREDIT RISK - CONTINUED**

As of December 31, 2023, cash and cash equivalents exceeded FDIC insurance by \$1,332,028. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on these cash or cash equivalents. The Organization’s investments, \$305,725, are held in a high-quality institution with a high-quality rating and with a brokerage firm where the assets are protected by SIPC, and it provides additional coverage in excess of SIPC through an insurance policy with Lloyd’s of London. These investments subject the Organization to interest rate, market risk and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**NOTE 4 – INVESTMENTS**

The Organization has an undivided interest in a pool of investment account assets held by Bluegrass Community Foundation consisting of the types and amounts at each year end as listed below. The Organization also held investments with Baird as of December 31, 2023. Investment securities are carried at fair value based on quoted market prices in active markets and consist of the following at December 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>
Cash & Equivalents	\$ 3,057	\$ 3,057
Domestic Bonds	31,243	50,445
International Bonds	10,414	16,815
Domestic Equities	80,475	129,934
International Equities	36,923	59,616
Energy/Natural Resources	15,149	24,458
Real Estate	13,255	21,400
Total	<u>\$ 190,516</u>	<u>\$ 305,725</u>
Investments – Without donor restrictions	121,588	221,247
Investments – With donor restrictions	68,928	84,478
Total	<u>\$ 190,516</u>	<u>\$ 305,725</u>

There were contributions of \$41,936 and withdrawals of \$41,886 during the year ended December 31, 2023. The components of total investment return for the year ended December 31, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Investments:</b>			
Dividends and Interest	\$ 6,385	\$ 2,436	\$ 8,821
Realized Gain/(Loss)	2,436	934	3,370
Unrealized Gain/(Loss)	17,346	7,083	24,429
Less: Fees	(984)	(389)	(1,373)
<b>Bank Accounts:</b>			
Interest	19,669	7,550	27,219
	<u>\$ 44,852</u>	<u>\$ 17,614</u>	<u>\$ 62,466</u>

**THOROUGHbred CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 - FAIR VALUES MEASUREMENTS**

The Organization has determined the fair value of certain assets and liabilities through the application of FASB ASC 820, Fair Value Measurements.

Under this statement, the Organization groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of these assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing assets or liabilities. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values of assets measured on a recurring basis at December 31, 2023, are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Markets	\$ 3,057	\$ 3,057	\$ -	\$ -
Stocks	189,550	189,550	-	-
Bonds	67,260	-	67,260	-
Alternatives	45,858	-	45,858	-
Total	\$ <u>305,725</u>	\$ <u>192,607</u>	\$ <u>113,118</u>	\$ <u>-</u>

**NOTE 6 – ENDOWMENTS**

The Organization’s endowments consist of two investment funds. One investment fund was established to hold board designated endowment funds. The other investment fund was created to hold donor restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The State of Kentucky enacted UPMIFA legislation effective July 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Organization adopted the accounting standards related to the net asset classification of endowment funds in

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 – ENDOWMENTS – CONTINUED**

FASB ASC 958-205-45-28 and the enacted Commonwealth of Kentucky UPMIFA for the year ending December 31, 2012. The Organization has interpreted the State Prudent Management of Institutional Funds (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds; (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization’s investment policies. The Organization, using ordinary business care and prudence under the facts and circumstances which exist at the time of the action, may appropriate for expenditures from endowed funds provided such appropriations are expended for the purpose stipulated by the donor. Expenditures may be made in accordance with the Organization’s spending policy. In the event the value of the endowment was to drop below the original gift or become “underwater” the board would follow Kentucky law concerning UPMIFA.

Endowment Net Asset Composition by Type of Fund as of December 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Board Designated Endowment Funds	\$ 221,247	\$ -	\$ 221,247
Ellen and Herb Moelis Industry Service Award Fund (Original Gift in Perpetuity, \$50,000)	-	84,478	84,478
	<u>\$ 221,247</u>	<u>\$ 84,478</u>	<u>\$ 305,725</u>

Changes in Endowment Net Assets for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Endowment Net Assets	\$ 154,189	\$ 74,414	\$ 228,603
Investment Return:			
Dividends and Interest	6,322	2,436	8,758
Realized Gains (Losses)	2,436	934	3,370
Unrealized Gains (Losses)	17,348	7,083	24,431
Contributions	41,936	-	41,936
Investment Fees	(984)	(389)	(1,373)
Ending Endowment Net Assets	<u>\$ 221,247</u>	<u>\$ 84,478</u>	<u>\$ 305,725</u>

Endowment Investment and Spending Policies:

**THOROUGHBRED CHARITIES OF AMERICA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 – ENDOWMENTS – CONTINUED**

The Organization’s endowments are held and managed by the Bluegrass Community Foundation (BGCF), and therefore are subject to their investment and spending policies. BGCF’s objective is to provide relatively stable, inflation adjusted, and annual payout to support the Foundation’s defined spending rate. BGCF believes that their funds’ risk and liquidity posture are a function of asset class mix. The following table shows BGCF’s target asset allocation.

Asset Category	Portfolio Percentage Allocation
Safety Assets	1.0%
Total Safety Assets	1.0%
Income Assets	
Domestic Bonds:	
Short Term Maturities (1-5 yrs)	4.0%
Intermediate Term Maturities (5-10 yrs)	8.5%
Inflation Protected Bonds	4.0%
International Bonds	5.5%
Total Income Assets	22.0%
Growth Assets	
Large Cap U.S. Stocks – Value	17.0%
Large Cap U.S. Stocks – Growth	11.0%
International Stocks – Value	7.0%
International Stocks – Growth	5.0%
Growth Real Estate	7.0%
Total Growth Assets	47.0%
Aggressive Assets	
Small Cap U.S. Stocks – Value	11.0%
Small Cap U.S. Stocks – Growth	1.0%
Small Cap U.S. Stocks - Blend	2.5%
Global Small Cap - Growth	3.0%
International Small Cap	4.5%
Energy/Natural Resources	8.0%
Total Aggressive Assets	30.0%
TOTAL PORTFOLIO	100.0%

BGCF’s spending policy is that the foundation shall support the Foundation’s charitable pursuits by annually distributing an amount equal to no less than 3% and no more than 6% of the funds’ average market value over the prior 20 quarters. In the case of endowed donor advised funds, a donor may recommend a grant in excess of the spending percentage, provided that the total distribution does not exceed the upper limit of the policy range (6%). The Organization’s policy is not to draw from the endowments funds at this time.

More detailed information regarding Bluegrass Community Foundation’s investment and spending policies can be found on their website at [www.bgcf.org](http://www.bgcf.org).



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**NOTE 7 – ACCOUNTS PAYABLE**

The Organization’s accounts payable consists of balances due for operations. Accounts payable at December 31, 2023 consists of \$31,846 credit card payable, \$7,415 for stallion season due donor payable, \$240 for accounting services, and \$888, \$12,876 and \$2,085 due to Thoroughbred Owners and Breeders Association (a related party – see Note 11) for office expenses, payroll, and insurance, respectively.

**NOTE 8 – NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023:

Subject to expenditure for specified purposes:	
Como Application	\$ 28,063
Donor Designated Granting	23,750
Horses First Fund	<u>360,971</u>
	<u>412,784</u>
Endowments:	
Perpetual endowment, expendable by appropriation of the Board in accordance with UPMIFA (Note 6):	
Ellen and Herb Moelis Industry Service Award Fund, Original Gift \$50,000	<u>84,478</u>
Total endowments	<u>84,478</u>
Total	<u>\$ 497,262</u>

Net assets without donor restrictions were as follows as of December 31, 2023:

Undesignated	\$ 1,098,584
Board Designated:	
Endowment	221,247
Rainy Day	<u>52,802</u>
Total	<u>\$ 1,372,633</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors.

**NOTE 9 – SPECIAL EVENTS**

The Organization’s largest fundraiser is a Stallion Season Auction. The event consists of online and live auctions of select seasons and other items. Most seasons sell during the online auction; however a select number of stallion seasons, as well as other items such as trips and tickets to sporting events are sold during the live auction. The Organization realized \$1,731,823 in gross

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**NOTE 9 – SPECIAL EVENTS – CONTINUED**

revenue, including \$175,826 of In-Kind Contributions from the Stallion Season Auction for the year ended December 31, 2023.

During the year ended December 31, 2023 the Organization also held two other special events: Bash at the Breeder’s Cup and Bid on the Bluegrass. The Organization realized \$139,500, including \$25,000 of In-Kind Contributions, in gross revenue from these events.

**NOTE 10 – GRANT EXPENSE**

The Organization’s objective is to raise money for distribution to non-profit organizations that work toward improving the lives of Thoroughbred racehorses and assist the people who work with them. The Organization distributes funds through a grant application process. Grant applicants must meet the following minimum criteria in order to submit a grant application for review and consideration: a) must be a 501(c)(3) organization; b) must uphold the Organization’s mission; c) must fall within one of the following categories- Thoroughbred rescue, rehabilitation, retraining, adoption and retirement; Backstretch and farm employee assistance programs; Therapeutic riding organization, and Equine research organization. Grant applications are available in January of each year and must be submitted by May 1<sup>st</sup> of each year. Grant applications are reviewed by the Organization’s Grant Committee which provides recommendations to the Board of Directors. The Organization distributed \$897,078 in grants for the year ended December 31, 2023. Grant expenses are included in the program function on the Statement of Activities.

**NOTE 11 - RELATED PARTY TRANSACTION**

In the year ended December 31, 2023, the Thoroughbred Owners and Breeders Association, Inc. (TOBA), a related party, was paid \$231,661. This amount consisted of the following:

Rent	15,300	Insurance	2,863
Salaries	179,662	Administrative Services	2,475
Employee Benefits	23,851	Office Expenses	7,510

**NOTE 12 – AVAILABILITY & LIQUIDITY**

The following represents the Organization’s financial assets as of December 31, 2023 that are available to meet general expenditures over the next twelve months:

Cash without donor restrictions	\$ 1,155,528
Accounts Receivable	38,760
Investments without donor restrictions	221,247
Prepaid Expenses	<u>16,732</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,432,267</u>

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**NOTE 12 – AVAILABILITY & LIQUIDITY - CONTINUED**

Donor restricted funds are not available for general expenditures. If necessary, to meet unexpected liquidity needs, or in the event of financial distress, the Board would look to donors to release their restrictions on their temporarily restricted funds, or approve a withdrawal from the Board designated Endowment funds.

**NOTE 13 – CONTINGENCY**

Prior to the year ended December 31, 2023, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of August 1, 2024, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

**NOTE 14 – LITIGATION**

The organization currently does not have any pending litigation.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events for accounting and disclosure requirements through August 1, 2024, the date that the financial statements were available to be issued.

**NOTE 16—LEASING ACTIVITIES**

The Organization has an operating lease for office space. As of December 31, 2023 the lease had a remaining period of two years, at which point a new lease will be negotiated with the current lessor. The Organization has no finance leases.

The following summarizes the line items in the statements of financial position which include amounts for leases as of December 31, 2023:

<b>Operating Leases</b>	
Operating Lease Right-To-Use Assets	\$ 65,133
Operating Lease RTU Accum. Amort.	<u>(39,080)</u>
Right-To-Use Operating Assets, Net	<u>\$ 26,053</u>
Lease Liability, Current Portion	\$ 14,312
Lease Liability, Long-Term Portion	<u>15,025</u>
Total Operating Lease Liability	<u>\$ 29,337</u>

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**NOTE 16 – LEASING ACTIVITIES – CONTINUED**

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

<b>Weighted Average Remaining Lease Term</b>	
Operating leases	2 years
<b>Weighted Average Discount Rate</b>	
Operating leases	4.59%

The maturities of lease liabilities as of December 31, 2023 were as follows:

<b>Year Ending December 31:</b>	<u>Operating</u>
2024	15,300
2025	<u>15,300</u>
Total Lease Payments	30,600
Less: Interest	<u>(1,263)</u>
Present Value of Lease Liabilities	<u>\$ 29,337</u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31:

<b>Operating Lease:</b>	<u>Program Expenses</u>	<u>General &amp; Administrative</u>	<u>Fundraising Expense</u>	<u>Total</u>
Interest Expense	\$ 1,466	\$ 114	\$ 49	\$ 1,629
RTU Amortization Expense	<u>11,724</u>	<u>912</u>	<u>391</u>	<u>13,027</u>
	<u>\$13,190</u>	<u>\$ 1,026</u>	<u>\$ 440</u>	<u>\$ 14,656</u>

The following summarizes cash flow information related to leases for the year ended December 31:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ (645)

**NOTE 17 – IN-KIND DONATIONS**

The Organization received gifts-in-kind for the year end December 31, 2023:

Stallion Seasons	\$ 175,826
Auction Items	<u>25,000</u>
Total	<u>\$ 200,826</u>

The Organization’s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value.

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**NOTE 17 – IN-KIND DONATIONS - CONTINUED**

The Organization's largest fundraiser is the Stallion Season Auction (see Note 9). Thoroughbred Stallion owners donate breeding seasons to be auctioned at this event. A portion of the proceeds, as determined by the donor, is retained by the Organization. The full fair value of the seasons sold at auction is recorded as In-Kind revenue and Auction Cost of Goods Sold expenses.

The Organization also received donations of other items which were auctioned at special events. These items are recorded at fair value as In-Kind revenue and In-Kind expense related to the specific event for which the item was donated.

All gifts-in-kind received by the Organization for the year ended December 31, 2023 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

During 2023 it was noted that \$7,000 in accounts receivable and \$4,000 in cash receipts recognized in the year ended December 31, 2022 were revenues for the 2023 stallion season auction program advertisements. This error was corrected during the year ended December 31, 2023 and resulted in a reduction of \$11,000 in net assets without donor restrictions as of December 31, 2022.