

UNITED STATES DRESSAGE FEDERATION, INC.
LEXINGTON, KENTUCKY

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AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

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OBERLANDER
FINANCIAL SERVICES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Governors
C/O Audit Committee Chair
United States Dressage Federation, Inc.
Lexington, Kentucky

Opinion

I have audited the accompanying financial statements of the United States Dressage Federation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Dressage Federation, Inc. as of March 31, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of United States Dressage Federation, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to out audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management's 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 misstatements, 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 United States Dressage Federation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Governors
C/O Audit Committee Chair
United States Dressage Federation, Inc.
Lexington, Kentucky

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Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I:

- 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 United States Dressage Federation, 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Dressage Federation, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Oberlander Financial Services, PLLC

August 8, 2024

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,563,114	\$ 2,105,453
Investments	8,075,072	7,293,055
Accounts receivable, net	278,552	65,178
Inventory	195,758	169,654
Prepaid expenses and other assets	195,404	184,772
Total current assets	10,307,900	9,818,112
Capital assets, net	1,765,595	1,850,377
Total assets	\$ 12,073,495	\$ 11,668,489
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 12,265	\$ 39,902
Accrued expenses	208,201	179,524
Deferred revenues	112,341	109,681
Designated Regional Funds	303,920	286,053
Total current liabilities	636,727	615,160
Net assets:		
Without donor restrictions	11,324,268	10,940,829
With donor restrictions	112,500	112,500
Total net assets	11,436,768	11,053,329
Total liabilities and net assets	\$ 12,073,495	\$ 11,668,489

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Membership dues	\$ 2,462,267		\$ 2,462,267
Competition	265,550		265,550
Publications	224,737		224,737
Merchandise	138,089		138,089
Program services	268,684		268,684
Regional championships	584,260		584,260
U.S. Dressage finals	841,959		841,959
Regional revenues	180,459		180,459
Development	78,305		78,305
Marketing	44,295		44,295
Investment return	836,168		836,168
Total revenues, gains and other support	5,924,773	0	5,924,773
Expenses:			
Program services:			
Member services	416,027		416,027
Competition	1,586,531		1,586,531
Programs and education	747,472		747,472
Publications and merchandise	516,496		516,496
Regional expenses	164,275		164,275
Depreciation and amortization	143,401		143,401
Total program expenses	3,574,202	0	3,574,202
Supporting services:			
General and administrative	1,967,132		1,967,132
Total expenses	5,541,334	0	5,541,334
Change in net assets	383,439	0	383,439
Net assets, beginning of year	10,940,829	112,500	11,053,329
Net assets, end of year	\$ 11,324,268	\$ 112,500	\$ 11,436,768

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Membership dues	\$ 2,624,715	\$	\$ 2,624,715
Competition	292,531		292,531
Publications	229,338		229,338
Merchandise	83,161		83,161
Program services	289,635		289,635
Regional championships	541,226		541,226
U.S. Dressage finals	874,201		874,201
Regional revenues	207,529		207,529
Development	84,380		84,380
Marketing	46,798		46,798
Investment return	(552,497)		(552,497)
Total revenues, gains and other support	<u>4,721,017</u>	<u>0</u>	<u>4,721,017</u>
Expenses:			
Program services:			
Member services	402,972		402,972
Competition	1,603,369		1,603,369
Programs and education	662,531		662,531
Publications and merchandise	543,335		543,335
Regional expenses	142,911		142,911
Depreciation and amortization	139,614		139,614
Total program expenses	<u>3,494,732</u>	<u>0</u>	<u>3,494,732</u>
Supporting services:			
General and administrative	1,796,883		1,796,883
Total expenses	<u>5,291,615</u>	<u>0</u>	<u>5,291,615</u>
Change in net assets	(570,598)	0	(570,598)
Net assets, beginning of year	<u>11,511,427</u>	<u>112,500</u>	<u>11,623,927</u>
Net assets, end of year	<u>\$ 10,940,829</u>	<u>\$ 112,500</u>	<u>\$ 11,053,329</u>

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2024

	<u>Program Services</u>			<u>Publications and Merchandise</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>
	<u>Member Services</u>	<u>Competition</u>	<u>Programs and Education</u>				
Compensation and related expenses:							
Compensation	\$ 197,489	\$ 303,111	\$ 269,527	\$ 15,953	\$ 786,080	\$ 908,821	\$ 1,694,901
Benefits	45,995	67,172	49,946	14,106	177,219	193,131	370,350
Payroll taxes	13,176	22,453	28,953	4,253	68,835	57,326	126,161
	<u>256,660</u>	<u>392,736</u>	<u>348,426</u>	<u>34,312</u>	<u>1,032,134</u>	<u>1,159,278</u>	<u>2,191,412</u>
Contract labor		94,292		113,583	207,875	157,512	365,387
Printing, postage and supplies	21,609	41,116	87,840	287,408	437,973	11,295	449,268
Travel		37,002	33,453	5,366	75,821	47,800	123,621
Prizes and awards	1,615	494,422	12,728		508,765		508,765
Banking and investment fees				3,196	3,196	185,995	189,191
Advertising and sponsors	136,143	185,279	75,160	1,420	398,002	146,194	544,196
Programs and events		238,529	176,453	7,520	422,502	34,894	457,396
Merchandising				61,779	61,779		61,779
Grants		57,300	6,328		63,628		63,628
Facility expenses					0	105,970	105,970
Office expenses		45,855	7,084	1,912	54,851	91,065	145,916
Legal and professional					0	27,129	27,129
Regional expenses					164,275		164,275
Depreciation and amortization					143,401		143,401
	<u>\$ 416,027</u>	<u>\$ 1,586,531</u>	<u>\$ 747,472</u>	<u>\$ 516,496</u>	<u>\$ 3,574,202</u>	<u>\$ 1,967,132</u>	<u>\$ 5,541,334</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2023

	<u>Program Services</u>			<u>Publications and Merchandise</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>
	<u>Member Services</u>	<u>Competition</u>	<u>Programs and Education</u>				
Compensation and related expenses:							
Compensation	\$ 177,661	\$ 312,734	\$ 246,933	\$ 73,376	\$ 810,704	\$ 870,008	\$ 1,680,712
Benefits	48,228	66,779	50,707	25,740	191,454	170,944	362,398
Payroll taxes	13,201	22,668	29,286	10,976	76,131	49,666	125,797
	<u>239,090</u>	<u>402,181</u>	<u>326,926</u>	<u>110,092</u>	<u>1,078,289</u>	<u>1,090,618</u>	<u>2,168,907</u>
Contract labor		96,346		90,000	186,346	87,630	273,976
Printing, postage and supplies	24,903	42,033	60,932	257,616	385,484	9,176	394,660
Travel		25,974	9,714	4,751	40,439	21,650	62,089
Prizes and awards	1,656	467,194	7,832		476,682		476,682
Banking and investment fees				4,698	4,698	184,859	189,557
Advertising and sponsors	137,323	188,764	39,551	1,399	367,037	164,760	531,797
Programs and events		267,121	202,116	4,908	474,145	28,304	502,449
Merchandising				68,217	68,217		68,217
Grants		66,000	8,376		74,376		74,376
Facility expenses					0	94,781	94,781
Office expenses		47,756	7,084	1,654	56,494	87,089	143,583
Legal and professional					0	28,016	28,016
Regional expenses					142,911		142,911
Depreciation and amortization					139,614		139,614
	<u>\$ 402,972</u>	<u>\$ 1,603,369</u>	<u>\$ 662,531</u>	<u>\$ 543,335</u>	<u>\$ 3,494,732</u>	<u>\$ 1,796,883</u>	<u>\$ 5,291,615</u>

The accompanying notes are an integral part of the financial statements.

UNITED STATES DRESSAGE FEDERATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 383,439	\$ (570,598)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	143,401	139,614
Realized gains on sales of investments	(13,651)	(136,802)
Unrealized losses on investments	(496,086)	1,020,934
Change in operating assets and liabilities:		
Accounts receivable	(213,374)	11,825
Inventory	(26,104)	(41,578)
Prepaid expenses and other assets	(10,632)	(30,437)
Accounts payable	(27,637)	14,375
Accrued expenses	28,677	7,469
Deferred revenues	17,867	(183)
Net cash provided by (used in) operating activities	<u>(214,100)</u>	<u>414,619</u>
Cash flows from investing activities:		
Acquisition of capital assets	(58,619)	(18,450)
Purchases of investments	(269,620)	(395,306)
Net cash used in investing activities	<u>(328,239)</u>	<u>(413,756)</u>
Net increase (decrease) in cash and cash equivalents	(542,339)	863
Cash and cash equivalents, beginning of year	<u>2,105,453</u>	<u>2,104,590</u>
Cash and cash equivalents, end of year	<u>\$ 1,563,114</u>	<u>\$ 2,105,453</u>

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 1 - NATURE OF ACTIVITIES

The United States Dressage Federation, Inc., (the “USDF”) is a non-profit corporation, organized under the laws of the State of Nebraska and is now maintaining an office in Lexington, Kentucky. The purpose of the USDF is to promote and encourage a high standard of accomplishment in dressage throughout the United States primarily through educational programs. In furtherance of this goal, the USDF will work closely with local, regional, and international organizations. The USDF Mission Statement is dedicated to education, the recognition of achievement, and promotion of dressage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the USDF is presented to assist in understanding the USDF’s operations and financial position. The financial statements and notes are representations of the USDF’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.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation:

The financial statements of USDF have been prepared on the accrual basis of accounting. USDF reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- a. Net Assets Without Donor Restriction - net assets that are not subject to donor-imposed stipulations.
- b. Net Assets With Donor Restriction – net assets whose use is limited by donor-imposed time and/or purpose restrictions.

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued):

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. 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 the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Council has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Contributions:

The USDF has adopted FASB ASC 958, *“Not-for-Profit Entities Receivables.”* In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are recognized when the donor makes an unconditional promise to give. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the same accounting period as the contributions is received, the revenue is reported as unrestricted.

Fair Value of Measurements:

The USDF has adopted the provisions of FASB ASC 820 *“Fair Value Measurements and Disclosures.”* FASB ASC 820 establishes a single definition of fair value and a framework for measuring fair value. FASB ASC 820 also expands disclosures about fair value measurements and applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value but does not expand the use of fair value.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the USDF considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

USDF extends credit to its members in the normal course of business and generally does not require collateral. USDF uses the allowance method to account for doubtful receivables. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Accounts receivables are written off when deemed uncollectible by management. Bad debt recoveries are included in income as realized. For the year end March 31, 2024 and 2023, USDF's allowance for doubtful receivables totaled \$0, respectively.

Investments:

USDF accounts for investments under FASB ASC 958, "*Not-for-Profit Entities Investments - Debt and Equity Securities.*" Under FASB ASC, investments in equity securities with readily determinable fair values, mutual funds, and all investments in debt securities are measured at market value in the statement of financial position. The fair values for equity securities, mutual funds, and debt securities are based on quoted market prices. Gains and losses on dispositions of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statement of activities.

Inventories:

Inventories consist of merchandise and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets:

Capital assets that are purchased for over \$500 are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the USDF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The USDF reclassifies temporarily restricted net assets to unrestricted net assets at that time.

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets:

The USDF evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Income Tax Status:

USDF is a not-for-profit organization that is exempt from both federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. USDF has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b).

Functional Allocation of Expenses:

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

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

USDF's cash deposits are maintained at a financial institution located in central Kentucky. Cash balances maintained are insured under the Federal Deposit Insurance Corporation's (FDIC) up to \$250,000. As of March 31, 2024 and 2023, USDF's uninsured balance in excess of FDIC insured limits totaled approximately \$1,507,500 and \$2,037,000.

USDF also maintain certain cash balances in money market funds with a regional investment brokerage firm located in Lincoln, NE. The money market funds are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. As of March 31, 2024 and 2023, USDF had no uninsured balances in excess of SIPC insured limits.

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 5 - INVESTMENTS

USDF's investment portfolio is exposed to various risks, such as interest rate, market risk, and credit risk. Because of the level of risk associated with such investments, changes in their values will occur, and such changes could materially affect the amounts reported in USDF's financial statements.

Investments are stated at fair value and consist of the following at March 31:

	2024		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash equivalents	\$ 790,530	\$ 790,530	\$ 0
Equities:			
Preferred stocks	46,712	46,712	0
Exchange traded funds	460,415	522,080	61,665
Mutual funds:	<u>6,686,540</u>	<u>6,715,750</u>	<u>29,210</u>
 Total investments	 <u>\$ 7,984,197</u>	 <u>\$ 8,075,072</u>	 <u>\$ 90,875</u>
	2023		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash equivalents	\$ 178,711	\$ 178,711	\$ 0
Equities:			
Preferred stock	46,712	46,712	0
Exchange traded funds	940,418	943,235	2,817
Mutual funds:	<u>6,764,022</u>	<u>6,124,397</u>	<u>(639,625)</u>
 Total investments	 <u>\$ 7,929,863</u>	 <u>\$ 7,293,055</u>	 <u>\$ (636,808)</u>

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 5 - INVESTMENTS (CONTINUED)

Fair Value Measurements:

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The three levels of fair value hierarchy are as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment.

All investments are deemed to be *Level 1* fair value investment except for preferred stock with a fair market value of \$46,712, which is deemed to be *Level 2*.

The following table presents a summary of investment returns for the years ended March 31:

	2024		
	With Donor <u>Restrictions</u>	Without Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 326,431	\$	\$ 326,431
Realized gains	13,651		13,651
Unrealized gains (losses)	<u>496,086</u>	<u> </u>	<u>496,086</u>
Total investment return	<u>\$ 836,168</u>	<u>\$ 0</u>	<u>\$ 836,168</u>

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 5 - INVESTMENTS (CONTINUED)

The following table presents a summary of investment returns for the years ended March 31:

	2023		
	With Donor Restrictions	Without Donor Restrictions	Total
Interest and dividend income	\$ 331,635	\$	\$ 331,635
Realized losses	136,802		136,802
Unrealized gains (losses)	(1,020,934)	_____	(1,020,934)
Total investment return	\$ (552,497)	\$ 0	\$ (552,497)

NOTE 6 - DESIGNATED ENDOWMENT FUNDS

USDF's endowment includes both donor-restricted funds and funds designated by the Executive Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of USDF has interpreted the State Prudent Management of Institutional Funds Act (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, USDF classifies as permanently restricted net assets (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 permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as board designated unrestricted net assets until those amounts are appropriated for expenditure by USDF in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, USDF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the 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 USDF, and (7) USDF's investment policies.

UNITED STATES DRESSAGE FEDERATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE 6 - DESIGNATED ENDOWMENT FUNDS (CONTINUED)

USDF's Executive Board established the USDF National Endowment and created the Investment Working Group (IWG) to administer the portfolio of the Endowment.

Return Objectives and Risk Parameters:

The Executive Board has adopted investment guidelines based on recommendations from the IWG for Endowment assets that attempt to provide a predictable stream of funding for future programs to be supported by the Endowment while seeking to maintain the purchasing power of the Endowment assets. Under this policy, the return objective for the endowment assets is to attain an average, annual, real total return of at least 7% over the long term. Real total return is the sum of capital appreciation (or depreciation) and current income adjusted for inflation.

To achieve its long-term rate of return objectives, the IWG relies on a total return strategy in which investment returns are realized through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The IWG will target a diversified asset allocation of no more than 60% equities and no less than 40% fixed income to achieve its long-term objective within prudent risk constraints.

Spending Policy:

The Executive Board has adopted a spending policy, upon the recommendation of the Management Committee of the Executive Board, of annually setting the total return payout rate. The policy specifies that the payout rate will not be more than 4% of the average market value based on a three-year trailing average of the Endowment portfolio. In establishing this policy, the IWG considers the long-term expected return on endowment assets and, as such, the payout rate may vary from year-to-year but never be greater than 4%. Accordingly, over the long term, the IWG expects the current spending policy to allow endowment funds to grow at an average of the long-term rate of inflation. This is consistent with the IWG's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return. It is anticipated that payments will approximate the estimated sustainable rates of total return (income and a portion of capital appreciation) after inflation. This total return payout rate will be monitored to determine the effects of changing return and inflation expectations on the preservation of purchasing power, and the generation of appropriate levels of spendable income, and the payout rate will be reset annually.

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NOTE 6 - DESIGNATED ENDOWMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund is as follows as of March 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,832,595	\$ 40,000	\$ 3,872,595
Contributions			0
Investment income	283,725		283,725
Endowment net assets, end of year	\$ 4,116,320	\$ 40,000	\$ 4,156,320
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,136,067	\$ 40,000	\$ 4,176,067
Contributions			0
Investment income	(303,472)		(303,472)
Endowment net assets, end of year	\$ 3,832,595	\$ 40,000	\$ 3,872,595

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NOTE 7 - CAPITAL ASSETS

Capital assets consist of the following at March 31:

	<u>2024</u>	<u>2023</u>
Building	\$ 3,044,588	\$ 3,044,588
Furniture and equipment	1,483,863	1,425,244
Database	203,705	203,705
Organization relocation costs	263,563	263,563
Donated art	96,058	96,058
Bronze Statue	148,320	148,320
	<u>5,240,097</u>	<u>5,181,478</u>
Less accumulated depreciation and amortization	<u>(3,474,502)</u>	<u>(3,331,101)</u>
Capital assets, net	<u>\$ 1,765,595</u>	<u>\$ 1,850,377</u>

NOTE 8 - LINE OF CREDIT

USDF has a \$250,000 line of credit available, none of which was outstanding at March 31, 2024 and 2023, bearing interest at 3.25%. When drawn, the line of credit is secured by USDF's assets. The line of credit has no specific maturity date.

NOTE 9 - PENSION PLAN

USDF maintains a 401(k) plan (the Plan) for its employees. Eligibility requires that participants be at least 21 years of age and have one year of service. Employees may elect to withhold up to 6% of their compensation and the USDF will make matching contributions equal to 100% of the participants elective deferral that do not exceed 3% of the participant's compensation, plus 50% of the amount of the participant elective deferral that exceed 3% of the participant's compensation but do not exceed 5% of the participant's compensation. Contributions to the Plan for the year ending March 31, 2024 and 2023 were \$74,835 and \$71,606, respectively.

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NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

USDF’s primary source of support are membership dues and fees for programs and competitions. As part of USDF’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. The following reflects USDF’s financial assets of the statement of financial position date, reduced by amounts not available for general use within one year of this date

	<u>March 31, 2024</u>
Cash and cash equivalents	\$ 1,563,114
Investments	8,075,075
Receivables	<u>278,552</u>
Financial assets, at year end	<u>9,916,741</u>
Less those unavailable for general expenditures within one year:	
Board designations:	
U.S. Dressage finals	1,008,563
Ruth Arvanette fund	141,219
USDF National Endowment	<u>3,006,538</u>
Total board designated assets	<u>4,156,320</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>5,760,421</u></u>

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NOTE 11 - INCOME TAXES

USDF adopted the provisions of FASB ASC 740, “*Accounting for Uncertainty in Income Taxes.*” FASB ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized. FASB 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As a result of the implementation of FASB ASC 740, USDF did not recognize a liability for unrecognized tax benefits.

The USDF receives advertising revenue and list rental revenue, which, according to the IRS, is unrelated to business income subject to income tax. Currently there is no tax due on the transactions relating to advertising or list rental due to application of net operating loss carry forwards. Remaining loss carry forwards at March 31, 2023 are recorded in excess of \$500,000.

NOTE 12 - SUBSEQUENT EVENTS

USDF has evaluated subsequent events through August 8, 2024, the date on which the financial statements were available to be issued.