

American Morgan Horse Educational Charitable Trust

Financial Statements

For the Years Ended December 31, 2013 and 2012

American Morgan Horse Educational Charitable Trust

December 31, 2013 and 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Compilation Report	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 7

Independent Accountants' Compilation Report

To the Board of Trustees
American Morgan Horse Educational Charitable Trust
Shelburne, Vermont

We have compiled the accompanying statements of financial position of American Morgan Horse Educational Charitable Trust (a nonprofit organization) as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

McSoley McCoy & Co.

March 14, 2014
Vermont Reg. No. 92-349

American Morgan Horse Educational Charitable Trust
 Statements of Financial Position
 December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 534,331	\$ 376,930
Accounts receivable	128,490	10,215
Prepaid expenses	20,548	-
Total assets	\$ 683,369	\$ 387,145
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 6,418	\$ 2,685
Deferred revenue	1,700	-
Total liabilities	8,118	2,685
Net assets:		
Unrestricted	480,035	217,172
Unrestricted - contingency reserve	175,500	155,162
Temporarily restricted	19,716	12,126
Total net assets	675,251	384,460
Total liabilities and net assets	\$ 683,369	\$ 387,145

See accompanying notes and independent accountants' compilation report.

American Morgan Horse Educational Charitable Trust
 Statements of Activities
 For the Year Ended December 31, 2013
 (With Summarized Information for the year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	(Summarized) 2012 Total
Revenue and support:					
Contributions, grants and auctions	\$ 122,965	\$ 14,762	\$ -	\$ 137,727	\$ 46,545
Fees, sponsorships and other income	1,534,960	-	-	1,534,960	30,750
Net assets released from restriction	<u>7,172</u>	<u>(7,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,665,097</u>	<u>7,590</u>	<u>-</u>	<u>1,672,687</u>	<u>77,295</u>
Expenses:					
Programs	1,432,967	-	-	1,432,967	10,791
Management and administration	119,368	-	-	119,368	4,000
Fundraising	<u>72,483</u>	<u>-</u>	<u>-</u>	<u>72,483</u>	<u>3,250</u>
Total expenses	<u>1,624,818</u>	<u>-</u>	<u>-</u>	<u>1,624,818</u>	<u>18,041</u>
Change in net assets from operations	40,279	7,590	-	47,869	59,254
Other changes:					
Transfer from American Morgan Horse Institute	<u>242,922</u>	<u>-</u>	<u>-</u>	<u>242,922</u>	<u>310,305</u>
Change in net assets	283,201	7,590	-	290,791	369,559
Net assets, beginning of the year	<u>372,334</u>	<u>12,126</u>	<u>-</u>	<u>384,460</u>	<u>14,901</u>
Net assets, end of the year	<u>\$ 655,535</u>	<u>\$ 19,716</u>	<u>\$ -</u>	<u>\$ 675,251</u>	<u>\$ 384,460</u>

See accompanying notes and independent accountants' compilation report.

American Morgan Horse Educational Charitable Trust
 Statements of Cash Flows
 For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 290,791	\$ 369,559
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in accounts receivable	(118,275)	(10,215)
Increase in prepaid expenses	(20,548)	-
Increase in accounts payable	3,733	2,800
Increase in deferred revenue	1,700	-
Total adjustments	(133,390)	(7,415)
Net increase in cash and cash equivalents	157,401	362,144
Cash and cash equivalents, beginning of year	376,930	14,786
Cash and cash equivalents, end of year	\$ 534,331	\$ 376,930

See accompanying notes and independent accountants' compilation report.

American Morgan Horse Educational Charitable Trust
Notes to Financial Statements
December 31, 2013 and 2012

(1) Summary of Significant Accounting Policies

The American Morgan Horse Educational Charitable Trust (the "Trust") is a nonprofit corporation organized under the laws of the State of New York in September 2002 to support the American Morgan Horse Association (the "Association") educational programs and services. The purpose of the Trust is to provide grants and related expenses for on-going educational efforts focusing on building awareness of the history and benefits derived from raising and owning Morgan horses and to promote an appreciation of the breed.

Prior to 2012 the Trust's financial statements were recorded as part of the Association's financial statements, as voting control over both organizations was the same. During 2012, two separate boards were established to separate control and the organizations no longer require combined reporting.

As discussed in Note 2, the Trust entered into an agreement with the Association assuming the responsibility of the Grand National & World Championship Morgan Horse Show from the American Morgan Horse Institute (the "Institute"). In connection with this change, the Institute transferred funds to the Trust in the amount of \$242,922 and \$310,305 in 2013 and 2012, respectively.

The following summarizes the Trust's significant accounting policies:

(a) Basis of Presentation

Financial statement presentation follows FASB ASC 958-210-45, *Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958-210-45, the Trust is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted net assets. The Trust is also required to present a statement of cash flows under FASB ASC 958-210-45.

(b) Contributions

The Trust accounts for contributions in accordance with FASB ASC 958-210-45. In accordance with FASB ASC 958-210-45, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Restricted contributions whose restrictions are met in the same period as received are reported as unrestricted contributions.

(c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Trust considers all highly liquid debt instruments with an initial maturity of three months or less and all certificates of deposit to be cash equivalents.

American Morgan Horse Educational Charitable Trust
Notes to Financial Statements
December 31, 2013 and 2012

Summary of Significant Accounting Policies (continued)

(d) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. These receivables are due within one year. The Trust has not recorded an allowance for uncollectible accounts at December 31, 2013 and 2012, as all amounts are deemed collectible.

(e) Functional Allocation of Expenses

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

(f) Use of Estimates

The preparation of the financial statements, in accordance with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

(g) Federal Income Taxes

The Trust qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. In addition, it has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

FASB ASC 740, Income Taxes, requires entities to disclose in their financial statements the nature of any uncertainty in their tax positions. For tax exempt entities, tax-exempt status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. Management believes the Trust has no uncertain tax positions. The Trust anticipates that it will not have a change in uncertain tax positions during the next twelve months that would have a material impact on the Trust's financial statements. If necessary, the Trust would accrue interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Trust is no longer subject to federal and state income tax examinations by tax authorities for years before the year ended December 31, 2010.

(h) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with United States generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

American Morgan Horse Educational Charitable Trust
Notes to Financial Statements
December 31, 2013 and 2012

Summary of Significant Accounting Policies (continued)

(i) Subsequent Events

In accordance with FASB ASC 855, the Trust evaluated subsequent events through March 14, 2014, the date the Trust's financial statements were available to be issued and all such events or transactions have been properly disclosed.

(2) Related Party Transactions

Certain Association board members are past or present board members of the Trust. Effective November 1, 2012, the Trust entered into an agreement to pay a \$65,000 per year licensing fee to the Association in connection with its staging of the annual "Grand National & World Championship Morgan Horse Show". The term of the agreement is for five years.

(3) Concentration of Cash on Deposit

The Trust has concentrated its credit risk for cash by maintaining deposits in financial institutions that at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Trust has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donations restricted for Morgan Horse youth programs and events.