

HEROES AND HORSES, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2025 and 2024



AMATICS
CPA GROUP

HEROES AND HORSES, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heroes and Horses, Inc.
Manhattan, MT

Opinion

We have audited the accompanying financial statements of Heroes and Horses, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heroes and Horses, Inc., as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, 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 Heroes and Horses, 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.



Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 Heroes and Horses, 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 Heroes and Horses, 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.



Bozeman, Montana
June 25, 2026

HEROES AND HORSES, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31	
	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,098,015	\$ 1,480,738
Promises to give	102,430	-
Other receivables	4,748	-
Inventory	49,028	-
Prepaid expenses	8,640	5,467
Investments	<u>4,115,769</u>	<u>5,810,920</u>
Total current assets	<u>7,378,630</u>	<u>7,297,125</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	3,644,525	3,087,300
Land	3,829,104	3,829,104
Livestock	211,623	183,523
Machinery and equipment	715,320	544,165
Vehicles and trailers	805,416	648,892
Assets under construction	<u>81,582</u>	<u>41,971</u>
	9,287,570	8,334,955
Less: accumulated depreciation	<u>(1,402,280)</u>	<u>(1,079,031)</u>
Total property and equipment	<u>7,885,290</u>	<u>7,255,924</u>
Total assets	<u><u>\$ 15,263,920</u></u>	<u><u>\$ 14,553,049</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 37,751	\$ 16,773
Credit card payable	23,438	17,888
Payroll liabilities	9,204	8,104
Accrued payroll	12,974	9,567
Current portion of notes payable	<u>46,481</u>	<u>44,644</u>
Total current liabilities	<u>129,848</u>	<u>96,976</u>
NOTES PAYABLE, net of current portion	<u>1,962,911</u>	<u>2,009,393</u>
NET ASSETS		
Without donor restrictions	10,654,178	9,431,295
With donor restrictions	<u>2,516,983</u>	<u>3,015,385</u>
Total net assets	<u>13,171,161</u>	<u>12,446,680</u>
Total liabilities and net assets	<u><u>\$ 15,263,920</u></u>	<u><u>\$ 14,553,049</u></u>

See notes to financial statements.

HEROES AND HORSES, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising events	\$ 872,837	\$ -	\$ 872,837
Merchandise and goods	52,618	-	52,618
Donations	63,477	2,012,659	2,076,136
In-kind contributions	5,476	-	5,476
Investment income	298,684	-	298,684
Satisfaction of program restrictions	<u>2,511,061</u>	<u>(2,511,061)</u>	<u>-</u>
Total revenue and support	<u>3,804,153</u>	<u>(498,402)</u>	<u>3,305,751</u>
EXPENSES			
Program	1,967,038	-	1,967,038
Administration	244,874	-	244,874
Development	<u>658,251</u>	<u>-</u>	<u>658,251</u>
Total expenses	<u>2,870,163</u>	<u>-</u>	<u>2,870,163</u>
OTHER INCOME (EXPENSE)			
Gain on disposal of assets	86,858	-	86,858
Other income (expense)	<u>202,035</u>	<u>-</u>	<u>202,035</u>
Total other income (expense)	<u>288,893</u>	<u>-</u>	<u>288,893</u>
CHANGE IN NET ASSETS	1,222,883	(498,402)	724,481
Net assets at beginning of year	<u>9,431,295</u>	<u>3,015,385</u>	<u>12,446,680</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 10,654,178</u></u>	<u><u>\$ 2,516,983</u></u>	<u><u>\$ 13,171,161</u></u>

See notes to financial statements.

HEROES AND HORSES, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising events	\$ 1,189,171	\$ -	\$ 1,189,171
Merchandise and goods	2,541	-	2,541
Donations	1,238,002	1,062,615	2,300,617
In-kind contributions	282,399	-	282,399
Investment income	236,130	-	236,130
Satisfaction of program restrictions	<u>576,081</u>	<u>(576,081)</u>	<u>-</u>
Total revenue and support	<u>3,524,324</u>	<u>486,534</u>	<u>4,010,858</u>
EXPENSES			
Program	1,765,882	-	1,765,882
Administration	209,798	-	209,798
Development	<u>392,753</u>	<u>-</u>	<u>392,753</u>
Total expenses	<u>2,368,433</u>	<u>-</u>	<u>2,368,433</u>
OTHER INCOME (EXPENSE)			
Gain on disposal of assets	23,735	-	23,735
Other income (expense)	<u>50,403</u>	<u>-</u>	<u>50,403</u>
Total other income (expense)	<u>74,138</u>	<u>-</u>	<u>74,138</u>
CHANGE IN NET ASSETS	1,230,029	486,534	1,716,563
Net assets at beginning of year	<u>8,201,266</u>	<u>2,528,851</u>	<u>10,730,117</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,431,295</u></u>	<u><u>\$ 3,015,385</u></u>	<u><u>\$ 12,446,680</u></u>

See notes to financial statements.

HEROES AND HORSES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2025

	<u>Program</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Advertising and marketing	\$ -	\$ -	\$ 7,240	\$ 7,240
Bank and credit card fees	57	10,020	152	10,229
Contracted fees	123,077	1,033	6,783	130,893
Cost of goods sold	70,240	-	44,528	114,768
Depreciation	391,847	-	-	391,847
Dues and subscriptions	20	4,776	14,655	19,451
Equine expenses	82,204	-	-	82,204
Equipment costs	41,455	-	-	41,455
Events	-	-	340,434	340,434
HR expenses	673	345	-	1,018
Insurance	75,297	14,331	-	89,628
Interest	82,617	-	-	82,617
Lease and storage	3,332	-	-	3,332
Meals	53,374	-	194	53,568
Occupancy	24,773	3,521	-	28,294
Office expenses	-	-	5,149	5,149
Payroll and related costs	725,550	102,423	98,674	926,647
Professional fees	21,848	105,920	126,161	253,929
Supplies	128,527	73	17	128,617
Taxes, licenses, and fees	4,826	2,432	-	7,258
Travel	92,321	-	14,264	106,585
Veteran crisis fund	45,000	-	-	45,000
	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Total expenses	<u><u>\$ 1,967,038</u></u>	<u><u>\$ 244,874</u></u>	<u><u>\$ 658,251</u></u>	<u><u>\$ 2,870,163</u></u>

See notes to financial statements.

HEROES AND HORSES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2024

	<u>Program</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Advertising and marketing	\$ 985	\$ -	\$ 19,854	\$ 20,839
Bank and credit card fees	17,645	1,425	259	19,329
Contracted fees	55,349	25,491	-	80,840
Depreciation	304,990	-	-	304,990
Dues and subscriptions	30	2,923	1,116	4,069
Equine expenses	59,443	-	-	59,443
Equipment costs	59,987	-	-	59,987
Events	10,433	-	251,439	261,872
HR expenses	1,100	4,940	-	6,040
Insurance	50,393	2,034	-	52,427
Interest	74,686	-	-	74,686
Lease and storage	2,645	-	-	2,645
Meals	55,174	595	-	55,769
Occupancy	30,202	6,738	2,773	39,713
Office expenses	-	300	2,916	3,216
Payroll and related costs	738,449	111,839	84,147	934,435
Professional fees	35,079	51,690	7,481	94,250
Supplies	176,055	-	-	176,055
Taxes, licenses, and fees	402	1,823	-	2,225
Travel	92,835	-	22,768	115,603
	<u>92,835</u>	<u>-</u>	<u>22,768</u>	<u>115,603</u>
Total expenses	<u>\$ 1,765,882</u>	<u>\$ 209,798</u>	<u>\$ 392,753</u>	<u>\$ 2,368,433</u>

See notes to financial statements.

HEROES AND HORSES, INC.
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors and grantors	\$ 2,845,202	\$ 4,063,281
Other cash receipts	267,268	(140,032)
Payments for salaries and related costs	(925,547)	(947,253)
Payments to vendors	<u>(1,571,867)</u>	<u>(1,116,475)</u>
Net cash provided by operating activities	<u>615,056</u>	<u>1,859,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of (proceeds from) investments	2,016,721	(1,891,375)
Purchases of property and equipment	(1,039,660)	(551,647)
Proceeds from sale of property and equipment	<u>69,805</u>	<u>89,906</u>
Net cash provided (used) by investing activities	<u>1,046,866</u>	<u>(2,353,116)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments on long term debt	<u>(44,645)</u>	<u>(41,971)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,617,277</u>	<u>(535,566)</u>
Cash and cash equivalents at beginning of year	<u>1,480,738</u>	<u>2,016,304</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,098,015</u></u>	<u><u>\$ 1,480,738</u></u>
NON-CASH ACTIVITIES		
Donated property	<u><u>\$ -</u></u>	<u><u>\$ 229,860</u></u>

See notes to financial statements.

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Heroes and Horses, Inc. (the Organization) was established in 2014 as a 501(c)(3) Montana non-profit corporation. Heroes and Horses, Inc. exists to redefine the relationship between challenge and purpose, by reintegrating combat veterans through an innovative, comprehensive and effective process that uses the wilderness, the horse/human connection, and a proven leadership model.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The Organization has not experienced any losses in such accounts. As of December 31, 2025 and 2024, funds exceeded federally insured limits by \$467,092 and \$1,076,997, respectively.

Inventory

Inventories are stated at the lower of first-in, first-out cost or net realizable value. Net realizable value is defined as the estimated selling prices of inventory in the ordinary course of business, less reasonably predictable costs of completion and disposal. Inventories are comprised of cookbooks and merchandise.

Fixed Assets

Purchased property and equipment are stated at cost. Property and equipment with a purchase price over \$5,000 is capitalized. All purchases of horses and mules are capitalized, regardless of the dollar amount. Donations of property and equipment are recorded as support at their estimated fair value at date of gift. 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. Property and equipment donated with time restriction are reclassified as unrestricted once all time restrictions are met. Absent donor stipulations regarding how long those donated assets are to be placed in service, the Organization records these assets as unrestricted support. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 20 years.

Estimates

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

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes. Heroes and Horses, Inc. 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)(1)(a)(vi). The Organization's information returns (Form 990) are open to examination by the IRS, generally for three years after they were filed or the due date of the return, whichever is later.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization tracks and allocates all direct expenses to program, development, and administration. Indirect costs are allocated on the basis of staff time and effort.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions and Grants

Contributions and grants are recognized as revenues in the period cash or assets are transferred or pledges are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

Grants receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Grants and promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, discounted at the short term treasury bill rate. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Management considers all receivables to be fully collectible; therefore, no allowance has been recorded as of December 31, 2025, and 2024.

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,098,015	\$ 1,480,738
Investments	4,115,769	5,810,920
Promises to give	102,430	-
Other receivables	<u>4,748</u>	<u>-</u>
	7,320,962	7,291,658
Unavailable for general expenditure in one year		
Donor restricted capital campaign funds	<u>(2,516,983)</u>	<u>(3,015,385)</u>
Total financial resources available for general expenditure	<u>\$ 4,803,979</u>	<u>\$ 4,276,273</u>

The Organization receives various kinds of donor-restricted contributions throughout the year. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

3. FAIR VALUE OF INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

3. FAIR VALUE OF INVESTMENTS (Continued)

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values of investments measured on a recurring basis at December 31, 2025 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 335,663	\$ 335,663	\$ -	\$ -
Mutual funds	<u>3,780,106</u>	<u>3,780,106</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,115,769</u>	<u>\$ 4,115,769</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of investments measured on a recurring basis at December 31, 2024 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	<u>\$ 5,810,920</u>	<u>\$ 5,810,920</u>	<u>\$ -</u>	<u>\$ -</u>

Equities and mutual funds are valued at the quoted market prices.

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

4. NOTES PAYABLE

The Organization had the following notes payable as of December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
In December 2020, the Organization obtained a loan in the amount of \$1,705,000 for the purchase of a ranch. The loan is secured by real property, matures in January 2051 and bears interest at a rate of 3.9% per annum. The loan is payable in monthly payments of \$8,042, including principal and interest.	\$ 1,542,620	\$ 1,578,206
In December 2021, the Organization obtained a loan in the amount of \$500,000 for the purchase of land. The loan is secured by real property, matures January 2052 and bears interest at a rate of 4.6% per annum. The loan is payable in monthly payments of \$2,563, including principal and interest.	466,772	475,831
	2,009,392	2,054,037
Less: current portion of notes payable	<u>(46,481)</u>	<u>(44,644)</u>
Notes payable, net of current portion	<u>\$ 1,962,911</u>	<u>\$ 2,009,393</u>

Annual maturities for subsequent years are as follows:

2026	\$ 46,481
2027	48,396
2028	50,391
2029	52,467
2030	54,629
Thereafter	<u>1,757,028</u>
	<u>\$ 2,009,392</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specific purpose:		
Capital campaign	\$ 2,414,553	\$ 3,015,385
Subject to the passage of time:		
Promises to give	<u>102,430</u>	<u>-</u>
	<u>\$ 2,516,983</u>	<u>\$ 3,015,385</u>

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

6. COMMITMENTS

The Organization is in the process of constructing a lodge. Construction costs, which have been capitalized as construction in progress, were \$81,582 through December 31, 2025. The Organization expects the additional costs to complete the project will be approximately \$8,000,000. This project is expected to be completed and placed in service by early 2028.

7. IN-KIND DONATIONS

The Organization records various types of in-kind support including goods, services, and property and equipment. Contributed professional services are recognized 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.

The following in-kind contributions were recognized for the year ended December 31, 2025:

	<u>Program</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Expenses:				
Supplies	\$ 5,476	\$ -	\$ -	\$ 5,476

The following in-kind contributions were recognized for the year ended December 31, 2024:

	<u>Program</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Expenses:				
Equine expenses	30,738	-	-	30,738
Meals	11,976	-	-	11,976
Supplies	9,825	-	-	9,825
Property and equipment:				
Assets under construction	360	-	-	360
Land	225,000	-	-	225,000
Equipment	4,500	-	-	4,500
	<u>\$ 282,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,399</u>

Donated goods and services are valued at estimated fair value based on retail prices or comparable rates to obtain similar goods or services.

8. RETIREMENT PLAN

The Organization previously sponsored a SIMPLE IRA in which eligible full-time employees could contribute part of their pre-tax compensation, and the Organization would match up to 3% of employee contributions after one year of continuous employment. The Organization terminated the SIMPLE IRA plan effective January 1, 2025 and no employer contributions were made after that date. For the year ended December 31, 2024, the Organization made matching contributions of \$1,236.

HEROES AND HORSES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

9. EMPLOYEE RETENTION TAX CREDIT

The Organization received Employee Retention Tax Credit ("ERTC") refunds under federal COVID-19 relief legislation. The Organization accounts for the ERTC under FASB ASC 958-605 as a conditional contribution and recognizes revenue when the applicable conditions are substantially met; amounts received or receivable before such conditions are met are reported as a refundable advance. In 2025, the Organization received ERTC funds in the amount of \$187,225 (for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021), included in other income. In 2024, the Organization received ERTC funds in the amount of \$43,930 (for the quarter ended June 30, 2020), included in other income. For both the years ended December 31, 2025 and 2024, there were no ERTC receivable balances and no refundable advance balances.

10. SUBSEQUENT EVENTS

On February 2, 2026, the Organization received notification and funding of a \$100,000 donor restricted endowment. The endowment is restricted to support the growth of the Organization, primarily for ongoing operating costs but also potentially for capital improvements and staff growth.

Date of Management Evaluation

Management has evaluated subsequent events through June 25, 2026, the date on which the financial statements were available to be issued.