

**American Morgan Horse Educational Charitable Trust**

Financial Statements  
(With Independent Auditors' Report)

For the Years Ended December 31, 2021 and 2020

**American Morgan Horse Educational Charitable Trust**

December 31, 2021 and 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
American Morgan Horse Educational Charitable Trust  
Lexington, Kentucky

### **Opinion**

We have audited the accompanying financial statements of American Morgan Horse Educational Charitable Trust (the "Trust"), which comprise the statement of financial position as of December 31, 2021, 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 the Trust as of December 31, 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' 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, including omissions, 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 the Trust'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 the Trust'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.

### **Report on Summarized Comparative Information**

We have previously audited the Trust's 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 12, 2022  
South Burlington, Vermont  
VT Reg. No. 92-349

**American Morgan Horse Educational Charitable Trust**

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,585,660	\$ 1,100,254
Accounts receivable, net of allowance for doubtful accounts of \$5,125 as of December 31, 2021 and 2020	96,651	311,895
Prepaid expenses	72,925	91,451
Total current assets	1,755,236	1,503,600
Equipment, net of accumulated depreciation	5,540	8,926
Total assets	\$ 1,760,776	\$ 1,512,526
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 55,948	\$ 27,879
Due to the American Morgan Horse Association, net	(13,564)	12,433
Total liabilities	42,384	40,312
Net assets:		
Without donor restrictions	1,011,269	897,068
Without donor restrictions - contingency reserve	533,465	533,465
With donor restrictions	173,658	41,681
Total net assets	1,718,392	1,472,214
Total liabilities and net assets	\$ 1,760,776	\$ 1,512,526

See accompanying notes to the financial statements.

**American Morgan Horse Educational Charitable Trust**  
Statement of Activities  
For the Year Ended December 31, 2021  
(With Summarized Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	(summarized) 2020 Total
Revenue and support:				
Contributions, grants and auctions	\$ 182,680	\$ 172,340	\$ 355,020	\$ 426,896
Fees, sponsorships and other income	1,893,512	-	1,893,512	1,504,439
Net assets released from restriction	<u>40,363</u>	<u>(40,363)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,116,555</u>	<u>131,977</u>	<u>2,248,532</u>	<u>1,931,335</u>
Expenses:				
Program services	1,723,592	-	1,723,592	1,368,076
Management and general	186,787	-	186,787	162,082
Fundraising	<u>91,987</u>	<u>-</u>	<u>91,987</u>	<u>67,432</u>
Total expenses	<u>2,002,366</u>	<u>-</u>	<u>2,002,366</u>	<u>1,597,590</u>
Change in net assets from operations	114,189	131,977	246,166	333,745
Other changes:				
Provision for income tax	-	-	-	(300)
Loss on disposal of assets	-	-	-	(2,800)
Net investment income	<u>12</u>	<u>-</u>	<u>12</u>	<u>22</u>
Other changes	<u>12</u>	<u>-</u>	<u>12</u>	<u>(3,078)</u>
Change in net assets	114,201	131,977	246,178	330,667
Net assets, beginning of the year	<u>1,430,533</u>	<u>41,681</u>	<u>1,472,214</u>	<u>1,141,547</u>
Net assets, end of the year	<u>\$ 1,544,734</u>	<u>\$ 173,658</u>	<u>\$ 1,718,392</u>	<u>\$ 1,472,214</u>

See accompanying notes to the financial statements.

**AMERICAN MORGAN HORSE EDUCATIONAL CHARITABLE TRUST**  
Statement of Functional Expenses  
For the Year Ended December 31, 2021  
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	<u>Supporting Services</u>			Total Supporting Services	2021 Total	2020 Total
	Program Services	Fundraising	Management and General			
Accounting	\$ -	\$ -	\$ 18,885	\$ 18,885	\$ 18,885	\$ 16,270
Advertising and promotions	10,698	91,987	-	91,987	102,685	75,382
Awards	297,622	-	-	-	297,622	167,346
Bad debt expense	-	-	-	-	-	5,000
Bank and credit card fees	-	-	40,892	40,892	40,892	33,236
Computer	-	-	1,270	1,270	1,270	105
Depreciation	-	-	3,386	3,386	3,386	4,589
Donations and grants	44,133	-	-	-	44,133	12,260
Event expenses	156,888	-	-	-	156,888	67,040
Equipment expenses	11,666	-	-	-	11,666	15,202
Equitana	6,349	-	-	-	6,349	-
Food and beverages	14,547	-	7,302	7,302	21,849	16,586
Footing	16,728	-	-	-	16,728	13,100
Furniture rental	5,772	-	-	-	5,772	4,121
Insurance	-	-	5,884	5,884	5,884	8,525
Legal	-	-	12,019	12,019	12,019	501
Meetings	-	-	1,100	1,100	1,100	8,263
Merchandise	28,885	-	-	-	28,885	7,136
Miscellaneous	3,864	-	114	114	3,978	11,441
Office expenses	-	-	7,571	7,571	7,571	8,243
Printing	5,482	-	1,461	1,461	6,943	1,348
Postage	-	-	1,782	1,782	1,782	1,844
Registration fees	25,150	-	9,097	9,097	34,247	24,230
Rent	318,122	-	-	-	318,122	291,917
Salaries and wages	161,797	-	61,352	61,352	223,149	183,818
Scholarships	14,750	-	-	-	14,750	17,320
Security	38,754	-	-	-	38,754	38,720
Stallion service auction	46,975	-	-	-	46,975	61,017
Storage	-	-	6,071	6,071	6,071	4,928
Subcontracting	301,618	-	-	-	301,618	296,359
Subscription and license fees	65,000	-	7,465	7,465	72,465	74,169
Telephone	-	-	1,136	1,136	1,136	1,171
Travel	126,767	-	-	-	126,767	111,794
Youth expenses	22,025	-	-	-	22,025	14,609
<b>Totals</b>	<u>\$ 1,723,592</u>	<u>\$ 91,987</u>	<u>\$ 186,787</u>	<u>\$ 278,774</u>	<u>\$ 2,002,366</u>	<u>\$ 1,597,590</u>

See accompanying notes to the financial statements.

**American Morgan Horse Educational Charitable Trust**

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 246,178	\$ 330,667
Adjustments to reconcile change in net assets to net cash provided for operating activities:		
Depreciation and amortization	3,386	4,589
Loss on disposal of equipment	-	2,800
(Increase) decrease in accounts receivable	215,244	(218,841)
(Increase) decrease in prepaid expenses	18,526	(72,593)
Increase in accounts payable	28,069	7,010
Increase (decrease) in due to the American Morgan Horse Association	<u>(25,997)</u>	<u>2,708</u>
Total adjustments	<u>239,228</u>	<u>(274,327)</u>
Net cash provided for operating activities	485,406	56,340
Cash and cash equivalents, beginning of year	<u>1,100,254</u>	<u>1,043,914</u>
Cash and cash equivalents, end of year	<u>\$ 1,585,660</u>	<u>\$ 1,100,254</u>
Supplemental disclosures of cash flow information:		
Cash paid during the years for:		
Income taxes	<u>\$ -</u>	<u>\$ 300</u>

See accompanying notes to the financial statements.



## American Morgan Horse Educational Charitable Trust

Notes to Financial Statements

December 31, 2021 and 2020

### (1) Summary of Significant Accounting Policies

The American Morgan Horse Educational Charitable Trust (the “Trust”) is an educational and charitable trust organized under the laws of New York State 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.

The Trust is in the process of dissolving the 501(c)3 Trust and creating a new 501(c)3 Corporation. This is expected to be completed by the end of 2022.

The following summarizes the Trust’s significant accounting policies:

#### (a) Method of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

#### (b) Basis of Presentation

The Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Trust is also required to present statements of functional expenses and cash flows.

#### (c) Contributions

Contributions received are recorded as with donor restrictions and without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions. Contributions with donor restrictions whose restrictions are met in the same period as received are reported as contributions without donor restrictions.

#### (d) 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. The governing board has designated, from net assets without donor restrictions, net assets for a contingency reserve.

## American Morgan Horse Educational Charitable Trust

Notes to Financial Statements

December 31, 2021 and 2020

### Summary of Significant Accounting Policies (continued)

*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. 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.

#### (e) Equipment

Equipment is recorded on the statements of financial position at cost. Expenditures for maintenance and repairs are charged against operations. The Trust capitalizes all significant betterments with a cost or value of at least \$1,000 and a useful life of more than one year.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives for all equipment range from three to ten years.

#### (f) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (g) Cash and Cash Equivalents

For purposes of the statements 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.

#### (h) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Trust charges current earnings with an allowance for doubtful accounts receivable based on collection experience and a review of the collectability of specific accounts. The allowance for doubtful accounts was \$5,125 as of December 31, 2021 and 2020.

#### (i) Functional Allocation of Expenses

The costs of providing various programs have been summarized on a functional basis as a separate statement in the financial statements. The statement of functional expenses presents the natural classification detail of expenses by function. There are no costs that have been allocated among the programs and supporting services benefited.

## American Morgan Horse Educational Charitable Trust

Notes to Financial Statements

December 31, 2021 and 2020

### Summary of Significant Accounting Policies (continued)

(j) Deferred Revenues and Prepaid Expenses

Deferred revenue and prepaid expenses primarily represent revenues received and expenses paid for prior to year-end relating to horse shows performed subsequent to the end of the year.

(k) 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, 2018.

(l) 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

(m) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities.

The new standard is effective for the Trust on January 1, 2022.

(n) Subsequent Events

The Trust evaluated subsequent events through May 12, 2022, the date the Trust's financial statements were available to be issued.

**American Morgan Horse Educational Charitable Trust**

Notes to Financial Statements

December 31, 2021 and 2020

(2) Commitments

The Trust entered into an agreement with Oklahoma State Fair, Inc. which has been amended and extended through December 31, 2027 to provide facilities and services for the annual Grand National & World Championship Morgan Horse Show. The contract agreement is written with an annual minimum base fee plus a variable charge for incidentals ranging from utilities to on-site security. Total contract expense including incidentals was \$356,876 and \$330,637 for the years ended December 31, 2021 and 2020, respectively. Future minimum contract payments excluding incidentals are as follows:

<u>Year</u>	
2022	\$ 205,000
2023	225,500
2024	225,500
2025	225,500
2026	225,500
Thereafter	<u>225,500</u>
	<u>\$ 1,332,500</u>

(3) Equipment

Equipment consists of the following as of December 31st:

	<u>2021</u>	<u>2020</u>
Decorations	\$ 24,766	\$ 24,766
Furniture and fixtures	7,806	7,806
Electronics	<u>3,902</u>	<u>3,902</u>
Subtotal	36,474	36,474
Less – accumulated depreciation	<u>(30,934)</u>	<u>(27,548)</u>
Equipment, net	<u>\$ 5,540</u>	<u>\$ 8,926</u>

Depreciation expense amounted to \$3,386 and \$4,589 for the years ended December 31, 2021 and 2020, respectively.

(4) Related Party Transactions

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. During 2017, the agreement was amended to extend the term for an additional five years.

In addition, the Trust owes various amounts to the Association for sponsorships, youth program funding, expense reimbursements, and fund withdrawals. Amounts due from (to) the Association were \$13,564 and \$(12,433) at December 31, 2021 and 2020, respectively.

## American Morgan Horse Educational Charitable Trust

Notes to Financial Statements

December 31, 2021 and 2020

### (5) Concentration of Cash on Deposit

The Trust has concentrated its credit risk for cash by maintaining deposits in financial institutions that at times may 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.

### (6) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Van Schaik	\$ 7,653	\$ -
YAA Judges Scholarship	28,316	8,184
Medal Scholarship	10,030	-
Sebring Fund	1,558	6,558
Youth Council	5,997	11,996
DiBella Scholarship	20,002	-
Honstein Fund	1,621	1,621
Boyce Bender Scholarship	29,283	-
Judges Education Fund	13,325	13,322
Hill Scholarship	6,259	-
Education Grants	36,849	-
Dollars for DNA	<u>12,765</u>	<u>-</u>
Total	<u>\$ 173,658</u>	<u>\$ 41,681</u>

### (7) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 878,537	\$ 525,108
Accounts receivable	<u>96,651</u>	<u>311,895</u>
	<u>\$ 975,188</u>	<u>\$ 837,003</u>

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Trust has several sources of liquidity at its disposal, including cash and cash equivalents and accounts receivable.

**American Morgan Horse Educational Charitable Trust**

Notes to Financial Statements

December 31, 2021 and 2020

Liquidity and Availability (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Trust operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Trust strives to maintain liquid cash reserves sufficient to cover 45 days of general expenditures. General expenditures include administrative, fundraising and operating expenses.

May 12, 2022

To the Board of Trustees of  
American Morgan Horse Educational Charitable Trust  
Lexington, Kentucky

We have audited the financial statements of American Morgan Horse Educational Charitable Trust (the “Trust”) for the year ended December 31, 2021, and we will issue our report thereon dated May 12, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 4, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Trust are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management estimates the allocations of costs between program services, management and general, and fundraising expenses. This estimate is based on experience in prior years. We evaluated the key factors and assumptions used to develop the allocations of costs and determined that allocation reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected misstatements of the financial statements. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 12, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of American Morgan Horse Educational Charitable Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



McSoley McCoy & Co.



Client: **American Morgan Horse Association, Inc.**  
 Engagement: **AUD - American Morgan Horse Educational Charitable Trust**  
 Period Ending: **12/31/2021**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **3700.05 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
Elimination Entry.				
4-4100	Futurity Jackpot		112,283.00	
3-9000	Jackpot Payout			112,283.00
<b>Total</b>			<b>112,283.00</b>	<b>112,283.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To elimiate SSA proceeds transferred between AMHECT and WMF from the income statement.				
3-4016	SSA Proceeds from AMHA		25,201.00	
2-7100	SSA Expenses			25,201.00
<b>Total</b>			<b>25,201.00</b>	<b>25,201.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To remove fixed assets stolen in PY.				
		<b>6500.15</b>		
1-1811	GN: Equipment Accumulated Depreciation		7,000.00	
1-1810	GN: Equipment			7,000.00
<b>Total</b>			<b>7,000.00</b>	<b>7,000.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To remove SSA grant expenses not approved until 2022.				
1-2001	AMHECT: Accounts Payable		30,286.00	
2-7100	SSA Expenses			30,286.00
<b>Total</b>			<b>30,286.00</b>	<b>30,286.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To remove voided checks from cash balance.				
		<b>4000.16</b>		
1-1020	GN: Citizen's Operating Account		16,306.00	
1-2000	GN: Accounts Payable			16,306.00
<b>Total</b>			<b>16,306.00</b>	<b>16,306.00</b>
<b>Adjusting Journal Entries JE # 9</b>				
To rollforward GM retained earnings.				
		<b>3800.11</b>		
1-3253	GN: Retained Earnings		101.00	
4-4130	Miscellaneous/Other Income			101.00
<b>Total</b>			<b>101.00</b>	<b>101.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
To rollforward AMHECT retained earnings.				
2-4002	Operations Income: Corporate Insurance Reimb		3,002.00	
2-4044	Unrestricted Income		4,366.00	
2-7500	Miscellaneous Expense		1,426.00	
1-3250	AMHECT: Unrestricted Net Assets			8,794.00
<b>Total</b>			<b>8,794.00</b>	<b>8,794.00</b>
<b>Adjusting Journal Entries JE # 11</b>				
To record due to/from amount to actual balance.				
1-2021	AMHECT: Due to/from		5,277.00	
2-4050	Miscellaneous Income			5,277.00
<b>Total</b>			<b>5,277.00</b>	<b>5,277.00</b>
<b>Adjusting Journal Entries JE # 12</b>				
To remove GN banner 2022 income from FY21.				
1-2500	GN: Deferred Revenue - Future Show		8,700.00	
1-1600	GN: Accounts Receivable			8,700.00

Client: **American Morgan Horse Association, Inc.**  
 Engagement: **AUD - American Morgan Horse Educational Charitable Trust**  
 Period Ending: **12/31/2021**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **3700.05 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Total</b>			<u><u>8,700.00</u></u>	<u><u>8,700.00</u></u>
<b>Adjusting Journal Entries JE # 13</b>				
To remove old due to/from balance.				
1-2020	Due To AMHA: General		9,725.00	
4-4130	Miscellaneous/Other Income			9,725.00
<b>Total</b>			<u><u>9,725.00</u></u>	<u><u>9,725.00</u></u>

To the Board of Trustees of  
American Morgan Horse Educational Charitable Trust  
Lexington, Kentucky

In planning and performing our audit of the financial statements of American Morgan Horse Educational Charitable Trust (the “Trust”) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Trust’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Trust’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Trust’s internal control to be a material weaknesses:

#### **Consolidation and Elimination Procedures**

During the audit, we had to consolidate various ledgers of the Trust and propose eliminating entries that were needed to correct the financial statements. In order to provide the Board with full disclosure of Trust operations, we recommend that the Trust consolidate financial information and perform eliminating entries at least annually, without having to manually combine ledger reports. A way to accomplish this would be to have one person overseeing the accounting function on all of the various ledgers.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Trust’s internal control to be a significant deficiency:

#### **Tracking Net Assets With Donor Restrictions**

During our audit, the Trust was not able to provide us with a roll forward schedule of net asset activity from the beginning to the end of the year, in order to sufficiently test net asset balances with and without donor restrictions. The Trust tracks restricted activity through their cash account instead of properly tracking it through separate income statement

accounts. We were provided with a summary of ending restricted cash balances, but not sufficient support for the activity during the year. We recommend that the Trust uses separate income statement accounts to track activity and maintain a detailed schedule to track net asset activity showing the receipt and release of restrictions during the year, beginning with the opening net asset balance each year.

This communication is intended solely for the information and use of the Board of Trustees and management of American Morgan Horse Educational Charitable Trust, and is not intended to be, and should not be, used by anyone other than these specified parties.

*McSoley McCoy & Co.*

South Burlington, Vermont  
May 12, 2022  
Vt Reg No. 92-349