



SIRE, Inc.

FINANCIAL STATEMENTS

June 30, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SIRE, Inc.
Houston, Texas

Opinion

We have audited the accompanying financial statements of SIRE, Inc. (SIRE) (a Texas Non-Profit Organization), which comprise the statements of financial position as of June 30, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIRE as of June 30, 2024 and 2023, 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 SIRE 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SIRE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIRE'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 SIRE'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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
December 23, 2024

SIRE, Inc.
Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 675,904	\$ 852,540
Cash and cash equivalents - capital expenditures	2,577	55,400
Accounts receivable	27,231	24,771
Promises to give	49,852	259,736
Investment in sales-type lease, current	187,118	23,002
Prepaid expenses	13,043	1,000
Total current assets	955,725	1,216,449
Promises to give, non-current	10,000	74,400
Investment in sales-type lease, noncurrent	-	187,118
Property and equipment, net	6,897,623	6,812,009
Total assets	\$ 7,863,348	\$ 8,289,976
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 65,366	\$ 34,893
Deferred revenue - tuition	8,200	13,065
Current maturities of long-term debt	762,994	96,809
Total current liabilities	836,560	144,767
Long-term debt, net of current maturities	2,338,322	3,100,119
Total liabilities	3,174,882	3,244,886
Net assets		
Without donor restrictions	4,678,014	4,711,332
With donor restrictions	10,452	333,758
Total net assets	4,688,466	5,045,090
Total liabilities and net assets	\$ 7,863,348	\$ 8,289,976

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

SIRE, Inc.
Statements of Activities

<i>For the Years Ended June 30,</i>	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions	\$ 976,418	\$ -	\$ 976,418	\$ 631,481	\$ 144,400	\$ 775,881
Capital campaign contributions	-	39,614	39,614	-	87,438	87,438
Contributions of nonfinancial assets	45,253	-	45,253	707,933	-	707,933
Tuition	291,370	-	291,370	343,957	-	343,957
Special events	271,525	-	271,525	350,884	-	350,884
Less: direct donor benefits	(96,149)	-	(96,149)	(89,289)	-	(89,289)
Investment and other income	28,509	-	28,509	27,640	-	27,640
Gain on sales of real estate	-	-	-	573,360	-	573,360
Net assets released from restrictions						
Capital assets placed in service	328,820	(328,820)	-	2,722,663	(2,722,663)	-
Satisfaction of purpose or timing	34,100	(34,100)	-	107,900	(107,900)	-
Total revenue and support	1,879,846	(323,306)	1,556,540	5,376,529	(2,598,725)	2,777,804
Expenses						
Program services	1,428,465	-	1,428,465	1,186,483	-	1,186,483
General and administrative	329,615	-	329,615	322,600	-	322,600
Fundraising	155,084	-	155,084	96,043	-	96,043
Loss on disposal of assets	-	-	-	315,055	-	315,055
Total expenses	1,913,164	-	1,913,164	1,920,181	-	1,920,181
Change in net assets	(33,318)	(323,306)	(356,624)	3,456,348	(2,598,725)	857,623
Net assets at beginning of year	4,711,332	333,758	5,045,090	1,254,984	2,932,483	4,187,467
Net assets at end of year	\$ 4,678,014	\$ 10,452	\$ 4,688,466	\$ 4,711,332	\$ 333,758	\$ 5,045,090

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

SIRE, Inc.
Statement of Functional Expenses

For the Year Ended June 30,

2024

	Programs	General and Administrative	Fundraising	Total
Personnel costs				
Salaries	\$ 526,881	\$ 164,844	\$ 87,917	\$ 779,642
Payroll taxes, workman's compensation and benefits	80,313	24,546	11,358	116,217
Total personnel costs	607,194	189,390	99,275	895,859
Clients	26,522	-	-	26,522
Contract services	5,770	55,903	1,721	63,394
Equine	229,488	-	20	229,508
Facilities costs				
Insurance	79,719	-	-	79,719
Maintenance	73,996	86	-	74,082
Rent	-	23,695	-	23,695
Utilities	38,386	-	-	38,386
Fundraising	-	-	134,880	134,880
Operations				
Office equipment and supplies	6,919	6,610	107	13,636
Postage and shipping	41	1,978	2,821	4,840
Printing	7,538	3,682	4,690	15,910
Other expenses				
Dues and subscriptions	1,120	-	789	1,909
Insurance	358	375	-	733
Other expenses	35,225	42,065	5,538	82,828
Travel and meetings	12,102	3,129	1,372	16,603
Volunteers	3,180	164	20	3,364
Interest expense	112,207	-	-	112,207
Bad debt expense	600	1,871	-	2,471
	1,240,365	328,948	251,233	1,820,546
Facilities costs - depreciation	188,100	667	-	188,767
Total expenses	1,428,465	329,615	251,233	2,009,313
Less: direct donor benefits - special events	-	-	(96,149)	(96,149)
Expenses reported by function	\$ 1,428,465	\$ 329,615	\$ 155,084	\$ 1,913,164

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

SIRE, Inc.
Statement of Functional Expenses

For the Year Ended June 30,

2023

	Programs	General and Administrative	Fundraising	Total
Personnel costs				
Salaries	\$ 468,598	\$ 151,991	\$ 33,690	\$ 654,279
Payroll taxes, workman's compensation and benefits	46,104	53,294	4,490	103,888
Total personnel costs	514,702	205,285	38,180	758,167
Clients	15,846	459	-	16,305
Contract services	6,024	36,267	-	42,291
Equine	196,136	11	1,671	197,818
Facilities costs				
Insurance	47,180	-	-	47,180
Maintenance	82,968	200	1,881	85,049
Rent	-	26,655	-	26,655
Utilities	32,624	-	-	32,624
Fundraising	-	-	120,153	120,153
Operations				
Office equipment and supplies	7,364	5,515	3,225	16,104
Postage and shipping	33	1,901	1,260	3,194
Printing	1,220	3,594	11,432	16,246
Telephone	3,139	7,832	-	10,971
Other expenses				
Dues and subscriptions	3,299	370	300	3,969
Insurance	13,407	350	-	13,757
Other expenses	15,524	27,621	5,980	49,125
Travel and meetings	12,915	3,926	1,200	18,041
Volunteers	2,060	1,647	50	3,757
Interest expense	107,886	300	-	108,186
Bad debt expense	13,734	-	-	13,734
	1,076,061	321,933	185,332	1,583,326
Facilities costs - depreciation	110,422	667	-	111,089
Total expenses	1,186,483	322,600	185,332	1,694,415
Less: direct donor benefits - special events	-	-	(89,289)	(89,289)
Expenses reported by function	\$ 1,186,483	\$ 322,600	\$ 96,043	\$ 1,605,126

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

SIRE, Inc.
Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2024	2023
Operating activities		
Changes in net assets	\$ (356,624)	\$ 857,623
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Credit loss expense	2,471	13,734
Depreciation	188,767	111,089
Proceeds for contributions restricted for capital purposes	(39,614)	(87,438)
Contributed non-financial assets capitalized	(23,253)	(683,933)
Gain on sale of asset held under operating lease	-	(398,358)
Profit at commencement of sales-type lease	-	(175,002)
Loss on disposal of assets	-	315,055
Changes in operating assets and liabilities		
Accounts receivable	(4,931)	(11,754)
Promises to give	-	92,000
Promises to give - capital purposes	274,284	449,419
Investment in sales-type lease	23,002	19,176
Prepaid expenses	(12,043)	9
Accounts payable and accrued expenses	30,473	(325,782)
Retainage payable	-	(75,660)
Deferred revenue - tuition	(4,865)	(26,337)
Net cash provided by operating activities	77,667	73,841
Investing activities		
Proceeds from sale of land held for sale	-	581,415
Purchases of property and equipment	(251,128)	(1,171,000)
Net cash used in investing activities	(251,128)	(589,585)
Financing activities		
Repayments on line of credit	-	(25,000)
Proceeds for contributions restricted for capital purposes	39,614	87,438
Borrowings on long-term debt	-	841,045
Repayments on long-term debt	(95,612)	(289,449)
Net cash provided by (used in) financing activities	(55,998)	614,034
Net change in cash and cash equivalents	(229,459)	98,290
Cash and cash equivalents at beginning of year	907,940	809,650
Cash and cash equivalents at end of year	\$ 678,481	\$ 907,940

(Continued)

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

SIRE, Inc.
Statements of Cash Flows (Continued)

<i>For the Years Ended June 30,</i>	2024	2023
Cash and cash equivalents	\$ 675,904	\$ 852,540
Cash and cash equivalents - capital expenditures	2,577	55,400
Total cash and cash equivalents	\$ 678,481	\$ 907,940
Supplemental disclosure of cash flow information		
Cash paid for interest (net of amounts capitalized of \$12,471 and \$22,133 for 2024 and 2023, respectively)	\$ 130,319	\$ 88,589
Noncash investing and financing activities		
Contributed nonfinancial assets capitalized as property and equipment	\$ 23,253	\$ 683,933
Property transferred from asset held under operating lease to investment in sales-type lease	-	54,294

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

Note 1: ORGANIZATION

SIRE, Inc. (SIRE) is a nonprofit corporation incorporated under the laws of the state of Texas in 1985. The mission of SIRE is to provide a community where horses help people with disabilities and challenges to live their best life. SIRE provides riding and related activities in Spring and Fulshear, Texas to benefit the Greater Houston area. SIRE's support primarily comes from donor contributions and tuition fees.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of the 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 the reported amounts of revenues and expenses. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allocation of functional expenses.

Cash and Cash Equivalents

SIRE considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

Cash received from donor restricted contributions for the capital campaign or capital acquisitions are reported as restricted cash on the statements of financial position.

Accounts Receivable

SIRE extends credit to its clients for tuition. Accounts receivable represent amounts owed to SIRE which are expected to be collected within twelve months and are presented in the statements of financial position net of the allowance for credit losses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received. Management believes receivables to be fully collectible and no allowance for credit losses has been recorded as of June 30, 2024 and 2023.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional 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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. No allowance was recorded as of June 30, 2024 or 2023 as management believes all remaining amounts to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investment in Sales-type Lease

Investment in sales-type lease represents a receivable from property leased that contains a purchase option that SIRE reasonably expects the tenant to exercise, and therefore the lease is classified as a sales-type lease at inception. In a sales-type lease, at lease commencement, SIRE treats the transaction as if it sold the leased asset in exchange for a net investment in the lease and recognizes any selling profit or loss from the sale of the leased asset.

The receivable is measured at the present value of payments over the lease term discounted using the rate implicit in the lease. The lease arrangement does not provide for any material unguaranteed residual value assets.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

SIRE's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to remaining long-lived assets at June 30, 2024 and 2023.

Net Assets

SIRE reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. The donors of these assets permit SIRE to use all of the income earned on related investments for general or specific purposes. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. SIRE did not have any funds required to be held in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Tuition income is accounted for under ASC 606, Revenues from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

SIRE recognizes tuition during the year in which the related services are provided to clients. The performance obligation of delivering services is simultaneously received and consumed by the clients; therefore, the revenue is recognized ratably over the semesters. Since the summer semester occurs during two different accounting periods, the portion applicable to the next reporting period is recorded as deferred revenue - tuition. In general, receivables over 30 days are considered past due.

Clients are charged tuition based on the nature and amount of services performed by SIRE on the clients' behalf. All clients' tuition is subsidized and tuition rates are generally set to cover 25% of costs. In addition to the standard subsidy, during 2024 and 2023, 6% and 11%, respectively, of therapeutic riding clients who would otherwise not have been able to participate received additional reduced tuition from the published tuition rates. The subsidy is recorded at the time revenue is recognized.

Contract balances related to tuition were as follows:

<i>June 30,</i>	2024	2023
Receivables from contracts beginning of year	\$ 24,771	\$ 26,751
Receivables from contracts end of year	\$ 27,231	\$ 24,771
Deferred revenue - tuition beginning of year	\$ 13,065	\$ 39,402
Deferred revenue - tuition end of year	\$ 8,200	\$ 13,065

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the condition on which they depend have been met. Special event revenue is comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. Special event revenue associated with the exchange portion is recognized when the special event takes place. Cost of direct benefits to donors represent the cost of goods and services provided to the event attendees and are considered exchange transactions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions.

Contributions of Nonfinancial Assets

SIRE's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of SIRE. If an asset is donated that does not allow SIRE to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. Donated materials are reflected as contributions in the accompanying financial statements at their estimated value on the date of receipt, if an objective basis is available to measure the fair value of such items. The related expense is recognized as the item donated is used. Contributed services are recorded if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services related to ongoing construction are capitalized.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of Nonfinancial Assets (Continued)

A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and fundraising campaigns of SIRE for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP. For the years ended June 30, 2024 and 2023, approximately 15,600 and 13,900 volunteer hours were performed at an estimated value of approximately \$524,000 and \$427,000, respectively (unaudited).

Fair Value Considerations

SIRE's financial instruments (primarily cash and cash equivalents, receivables, payables and debt) are carried in the financial statements at amounts that reasonably approximate fair value.

Functional Expenses

Directly identifiable expenses are charged to the program or supporting services to which they relate. Personnel costs have been allocated among the programs and supporting services benefited based on management's estimates of time and effort.

Income Taxes

SIRE is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

SIRE utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2024 and 2023, SIRE has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

SIRE has evaluated subsequent events through the time the financial statements are available for issuance on December 23, 2024 and determined, except as noted below, there were no events that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

In August 2024, SIRE began offering a defined contribution plan (the Plan) to eligible employees. SIRE currently does not match participants' contributions to the Plan.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

SIRE adopted ASU 2016-13 on July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

SIRE's primary sources of support are contributions and tuition. Fundraising events are held during the year to support SIRE's budget. Should it be necessary, SIRE has access to a line of credit for borrowings up to \$100,000 (See Note 8). The following reflects SIRE's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>June 30,</i>	2024	2023
Total assets at year-end	\$ 7,863,348	\$ 8,289,976
Less: non-financial assets		
Prepaid expenses	(13,043)	(1,000)
Property and equipment, net	(6,897,623)	(6,812,009)
Financial assets at year-end	952,682	1,476,967
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Cash and promises to give for capital purposes or due to be collect in more than one year	(12,577)	(389,536)
Investment in sales-type lease, noncurrent	-	(187,118)
Financial assets available to meet cash needs for general expenditures within one year	\$ 940,105	\$ 900,313

Note 4: PROMISES TO GIVE

Promises to give consist of the following:

<i>June 30,</i>	2024		2023
Receivables due within one year	\$ 49,852	\$	259,736
Receivables due in one to five years	10,000		74,400
Total promises to give	\$ 59,852	\$	334,136

Note 5: LEASING ACTIVITIES

Lessor

SIRE leases its Hockley, Texas property to a third party that contains an option to purchase the property by the third party.

On August 17, 2022, 6.551 acres of the 12-acre parcel was sold resulting in a gain on sale of \$398,358. SIRE continues to lease the remaining property under an amended lease agreement with the option to purchase the property upon lease expiration on July 1, 2025. Monthly lease payments are \$2,000 of which \$1,000 is applied towards the purchase option when exercised.

At lease inception, SIRE determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). SIRE only reassess if the terms and conditions of the contract are changed.

As the terms and conditions of the contract were changed with the partial purchase of the property in August 2022, SIRE reassessed the classification of the lease under ASC 842. As a result, SIRE's lease is classified as a sales-type lease as the agreement contains an option to purchase the property of which SIRE is reasonably certain the third party will exercise.

Income related to leasing activities is as follows:

<i>For the years ended June 30,</i>	2024		2023
Profit at lease commencement	\$ -	\$	175,002
Interest income on lease receivables	882		824
Total lease income	\$ 882	\$	175,826

Profit at lease commencement represents the excess of the net investment in the lease totaling \$229,296 over the carrying value of the leased asset totaling \$54,294.

Note 5: LEASING ACTIVITIES (Continued)

Lessor (Continued)

Net investment in the lease is as follows:

<i>June 30,</i>	2024	2023
Lease receivable	\$ 187,118	\$ 210,120

The future maturity of the lease receivable as of June 30, 2024 is as follows:

<i>For the year ending June 30,</i>	
2025	\$ 188,000
Total future minimum lease payments	188,000
Less imputed interest	(882)
Present value of net investment in lease	\$ 187,118
Reported as of June 30, 2024	
Investment in sales-type lease, current	\$ 187,118
Investment in sales-type lease, noncurrent	-
Total	\$ 187,118

Cash flow information related to leases for the years ended June 30, 2024 and 2023 is as follows:

<i>For the years ended June 30,</i>	2024	2023
Operating cash flows (cash receipts from operating leases)	\$ -	\$ 9,000
Operating cash flows (cash receipts from sales-type leases)	24,000	20,000

Prior to the contract amendment in August 2022, operating lease income totaled \$9,000 and is included in investment and other income in the statements of activities.

Lessee

In addition, SIRE leases its office space in Houston, Texas under a month-to-month lease agreement with a Board member (See Note 7) through May 2024. SIRE is not charged for use of the office space valued at \$2,000 a month (See Note 7).

Note 5: LEASING ACTIVITIES (Continued)

Lessee (Continued)

In April 2024, SIRE entered into a twelve-month lease with a third party which commenced June 1, 2024. The lease requires monthly payment of \$1,400 and expires in May 2025. There are no renewal options in the agreement. SIRE has elected the short-term lease exemption under ASC 842, *Leases*.

Rent expense totaled \$23,695 and \$26,655 for the years ended June 30, 2024 and 2023, respectively.

Note 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	Estimated Useful Lives (in years)	2024	2023
Building and improvements	5-40	\$ 5,100,602	\$ 4,663,401
Equipment	5-10	459,235	396,699
Total depreciable property and equipment		5,559,837	5,060,100
Less: accumulated depreciation		(755,156)	(577,889)
Total depreciable property and equipment, net		4,804,681	4,482,211
Land		2,054,442	2,054,442
Horses		38,500	30,000
Construction in progress		-	245,356
Total property and equipment, net		\$ 6,897,623	\$ 6,812,009

Depreciation expense for the years ended June 30, 2024 and 2023 totaled \$188,767 and \$111,089, respectively.

Note 7: DONATED GOODS AND SERVICES

Contributed nonfinancial assets recognized within the statement of activities included:

<i>For the years ended June 30,</i>	2024	2023
Building and improvements	\$ -	\$ 650,000
Professional services	23,253	33,933
Rent	22,000	24,000
	\$ 45,253	\$ 707,933

Note 7: DONATED GOODS AND SERVICES (Continued)

During 2023, construction of the Education Center at SIRE's Spring site was donated by a contractor. In addition, during 2024 and 2023, SIRE received professional services related to the ongoing Spring site construction. The building was valued at the donor's estimated value and construction services are valued based on the charitable discounts identified in the executed contracts or identified on the invoices.

SIRE leases its administrative offices under a lease agreement with a Board member (See Note 5). Rent expense is included in general and administrative activities and was determined based on the rent paid by the Board member for the space leased.

There were no donor restrictions associated with contributed nonfinancial assets received and all donations were able to be used by SIRE.

Note 8: LINE OF CREDIT

SIRE has an unsecured \$100,000 line of credit with a bank. The line of credit requires minimum monthly payments of 1% of the outstanding balance and bears interest at prime plus 1%. The line of credit has no stated maturity. No amounts were outstanding under the line of credit at June 30, 2024 or 2023.

Note 9: DEBT

On August 18, 2021, SIRE entered into a property loan agreement with a bank for maximum borrowings of \$2.7 million. Loan payments (including principal and interest) totaling \$16,361 are required monthly from inception of the loan through August 18, 2026 (60 months) at 4% interest. Upon maturity, all outstanding principal is due. The loan is secured by the underlying property and the improvements to be constructed on the property, and assignment of certain rents and leases. At June 30, 2024 and 2023, the outstanding loan totaled \$2,439,076 and \$2,534,688, respectively.

In May 2022, SIRE entered into a construction loan agreement with a bank for maximum borrowings of \$1 million. Interest only payments are required monthly until maturity on May 4, 2025 when all principal and accrued interest is due. Interest on the loan is fixed at 3.75%. The loan is secured by the underlying real property and the assignment of certain rents and leases. At June 30, 2024 and 2023, the outstanding loan totaled \$662,240 and \$662,240, respectively.

The following is a summary of future minimum principal payments for the next five years:

<i>Years ending June 30,</i>	
2025	\$ 762,994
2026	104,859
2027	2,233,463
	\$ 3,101,316

Note 10: RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	2024	2023
Spring site - Capital Campaign	\$ -	\$ 244,258
Trucks and trailers	2,577	25,000
Veterans - Fort Bend	-	34,100
Horses and care	7,875	30,400
	\$ 10,452	\$ 333,758

ASU 2016-14 eliminates the over-time approach for the expiration of restrictions of capital gifts and requires the use of the placed-in-service approach in the absence of donor explicit stipulations otherwise. SIRE has received donations for construction of the new facility under its ongoing capital campaign. During the years ended June 30, 2024 and 2023, \$244,258 and \$2,683,663 was placed-in-service, respectively.

NOTE 11: CONCENTRATION OF CREDIT RISK

At various times during the year SIRE's cash balances may exceed federally insured limits. Cash accounts at banks are insured by the FDIC up to \$250,000. SIRE has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash and cash equivalents due to the financial strength of the financial institutions where deposits are held. At June 30, 2024 and 2023, no amounts held were in excess of FDIC limits.

For the years ended June 30, 2024 and 2023, approximately 16% and 16% of contribution revenue was received from one donor, respectively. As of June 30, 2024 and 2023, approximately 50% and 71% of promises to give were due from two donors, respectively.