KENTUCKY HORSE PARK FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED MAY 31, 2018

HICKS & ASSOCIATES CPAS
CERTIFIED PUBLIC ACCOUNTANTS

C O N T E N T S

Hicks & Associates CPAs

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kentucky Horse Park Foundation, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Kentucky Horse Park Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of May 31, 2018, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general and administrative expenses and the Southern Lights income statement on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hicks & Associates CPAs

October 5, 2018

KENTUCKY HORSE PARK FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 991,020
Prepaid expenses	11,355
Unconditional promises to give	18,000
TOTAL CURRENT ASSETS	1,020,375
OTHER ASSETS	
Investments and cash	1,592,951
Investments held for charitable gift annuity	176,342
Investments held for endowment purposes	6,183,408
TOTAL OTHER ASSETS	7,952,701
PROPERTY AND EQUIPMENT, NET	192,360
TOTAL ASSETS	$ 9,165,436
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 91,014
Annuity liability	58,008
Deferred revenue	43,900
Other accrued payables	2,609
TOTAL CURRENT LIABILITIES	195,531
NET ASSETS	
Unrestricted:	
Undesignated	1,017,204
Designated	5,455,145
TOTAL UNRESTRICTED NET ASSETS	6,472,349
Temporarily restricted	1,349,972
Permanently restricted	1,147,584
TOTAL NET ASSETS	8,969,905
TOTAL LIABILITIES AND NET ASSETS	$ 9,165,436

KENTUCKY HORSE PARK FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions	$ 826,773	$ 154,926	$ -	$ 981,699
Southern Lights	722,517	-	-	722,517
Other revenue	142,162	-	-	142,162
In-kind contributions	108,048	-	-	108,048
Net assets released from restrictions due to satisfaction of program requirements	84,735	(84,735)	-	-
TOTAL REVENUES AND OTHER SUPPORT	1,884,235	70,191	-	1,954,426
EXPENSES				
Support to Kentucky Horse Park	776,933	-	-	776,933
General and administrative	264,453	-	-	264,453
Fundraising	546,494	-	-	546,494
TOTAL EXPENSES	1,587,880	-	-	1,587,880
CHANGES IN NET ASSETS FROM OPERATIONS	296,355	70,191	-	366,546
OTHER CHANGES				
Annuity liability adjustment	14,566	-	-	14,566
Investment income (loss)	620,851	223,916	-	844,767
TOTAL OTHER CHANGES	635,417	223,916	-	859,333
TOTAL CHANGES IN NET ASSETS	931,772	294,107	-	1,225,879
NET ASSETS, BEGINNING OF YEAR	5,540,577	1,055,865	1,147,584	7,744,026
NET ASSETS, END OF YEAR	$ 6,472,349	$ 1,349,972	$ 1,147,584	$ 8,969,905

See Notes to Financial Statements.

KENTUCKY HORSE PARK FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets from operations	$ 366,546
Adjustments to reconcile changes in net assets from operations to net change from operating activities:	
Temporarily restricted contributions	(154,926)
Interest earned on cash and cash equivalents	1,372
Investment fees	49,738
Depreciation	33,450
In-kind expenses	108,048
In-kind contributions	(108,048)
Changes in operating assets and liabilities:	
(Increase) decrease in other receivables	35,000
(Increase) decrease in prepaid expenses	4,269
(Increase) decrease in unconditional promises to give	(3,000)
Increase (decrease) in accounts payable	91,014
Increase (decrease) in annuity liability	(14,566)
Increase (decrease) in deferred revenue	(11,600)
Increase (decrease) in other accrued payables	1,655
NET CHANGE FROM OPERATING ACTIVITIES	398,952
CASH FLOWS FROM INVESTING ACTIVITIES	
Net assets released from restrictions	84,735
Net contributions to investments	(333,865)
Purchases of property and equipment	(46,632)
NET CHANGE FROM INVESTING ACTIVITIES	(295,762)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments from annuity liability	(7,002)
NET CHANGE FROM FINANCING ACTIVITIES	(7,002)
NET CHANGE IN CASH AND CASH EQUIVALENTS	96,188
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	894,832
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 991,020

NOTE A - NATURE OF OPERATIONS

The Kentucky Horse Park Foundation, Inc. (the "Foundation") was founded in 1985 as a not-for-profit organization created to provide financial and other support exclusively for the Kentucky Horse Park. The Foundation is operated solely for the benefit of the Kentucky Horse Park, a public corporation established by the Commonwealth of Kentucky under KRS 148.260-148.320 and a Division of the Commerce Cabinet of the Commonwealth of Kentucky.

The Foundation is a component unit of the Kentucky Horse Park and the financial statements are included in the Kentucky Horse Park's basic financial statements as a discretely presented component unit.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

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

Accounting 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 reported period. Actual results could differ from those estimates.

Donor-Imposed Restrictions

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets are limited as to use by donor-imposed stipulations that do not expire with the passage of time and cannot be removed by the Foundation's actions.

Cash and Cash Equivalents

The Foundation considers all unrestricted, undesignated highly liquid investments with a maturity of three months or less to be cash and cash equivalents. The Foundation typically maintains cash on deposit at banks in excess of the federally insured limits.

Property and Equipment

Property and equipment are recorded at cost if purchased, or fair value on the date of the gift, if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the asset, which range from 5 to 30 years. The cost of repairs and maintenance is expensed as incurred. Depreciation expense for the year ended May 31, 2018 was $33,450.

Advertising

The Foundation expenses advertising costs as incurred. Advertising expense was $57,895 for the year ended May 31, 2018.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

Employees of the Foundation are entitled to paid compensated absences, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investments in the near term would materially affect the amounts reported in the statements of financial position and activities and changes in net assets.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is, however, subject to income taxes on "unrelated business income", of which management has determined there was none for the year ended May 31, 2018. The Foundation also qualifies for the charitable contribution deduction under Section 107(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

As of May 31, 2018, the Foundation has no uncertain tax positions that qualify for disclosure in the financial statements. Tax years still open under federal and state statute of limitations remain subject to review and change.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period when the pledge is received. The Foundation's unconditional promises to give are net of an allowance for uncollectible promises to give at year-end. The allowance for uncollectible promises to give is provided based on management's judgment, including factors such as prior collection history, type of pledge and nature of fundraising activity. The Foundation has an allowance for uncollectible promises of $0 as of May 31, 2018.

If amounts become uncollectible, they will be charged to operations when that determination is made. If amounts previously written off are collected, they will be credited to the allowance for doubtful accounts when received.

Deferred Revenue

Deferred revenue represents revenue collected but not earned. This is composed of revenue for sponsorships of the Southern Lights and other exhibits. This revenue will be earned once the exhibits are concluded.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Annuity Liability

The Foundation pays stipulated amounts periodically to an individual (annuitant) who has given the Foundation certain assets and who has entered into an agreement that such payments cease at the death of the annuitant. Total annuity payments for the year ended May 31, 2018 were $7,002.

The annuity liability balance is the present value of the monthly payments to the annuitant based on the life expectancy of the annuitant and the interest rate of 7.2% as of May 31, 2018.

Contributions

Contributions are defined as voluntary, non-reciprocal transfers. Unrestricted contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Foundation's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the year as unrestricted net assets.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, due in one year, at May 31, 2018 are as follows:

Gross unconditional promises to give:	
Nina Bonnie board designated endowment	$ 5,000
Other unrestricted	13,000
Total gross unconditional promises to give	$18,000

NOTE D - INVESTMENTS

The ASC has established a single definition of fair value and a framework for measuring fair value under GAAP that is intended to result in increased consistency and comparability in fair value measurements with expanded disclosures about fair value measurements. These regulations apply whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value.

These regulations also establish a fair value hierarchy which requires the Foundation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements).

NOTE D - INVESTMENTS - CONTINUED

The following provides a description of the three levels of inputs that may be used to measure fair value under GAAP.

Level 1 - Quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Significant other observable inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 - Significant unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The Foundation uses the following methods and assumptions in estimating the fair value of its investments. There were no changes in the methodologies used to measure fair value during the year ended May 31, 2018.

Cash and cash equivalents: The carrying amount reported in the statement of financial position for such items is either fair value or approximate fair value, due to their short-term nature.

U.S. government bonds, mutual funds and common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and municipal bonds: Management obtains pricing information from a reputable third-party service provider, who utilizes valuation techniques that use current market-based or independently sourced parameters, such as bid prices, dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, and credit spreads.

Private equity funds: Fair values are based on valuations determined by the investment managers using Net Asset Values as of their most recent statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss.

Fair value measurements, all of which are considered Level 1, of the Foundation at May 31, 2018 are summarized below:

	Fair Value	Cost	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 73,526	$ 73,526	$ -
U.S. government bonds	291,018	351,834	(60,816)
Corporate bonds	1,747,173	1,782,158	(34,985)
Common stock	5,378,036	4,028,265	1,349,771
Total	$7,489,753	$6,235,783	$1,253,970

Investment income (loss) is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 94,902	$ 40,123	$ 135,025
Realized and unrealized	522,757	183,793	706,550
Total investment income (loss)	$ 617,659	$ 223,916	$ 841,575

NOTE E - ENDOWMENT FUNDS

The Foundation's endowments consist of both donor-restricted endowment funds and funds designated by the Board as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. As such, the Foundation is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

Interpretation of Relevant Law

Management of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds; absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets the original value of gifts donated to the Dr. Donald L. Jacobs Endowment and the W. Paul Little Cultural and Learning Endowments and accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

During 2009 the Foundation adopted an investment and spending policy which states the following: The investment mission of the Foundation is to provide a growing resource of funds available to expand and enhance the Kentucky Horse Park. The annual distributions are to be relatively consistent and predictable. Spending, in addition to budgeting operating expenses, is calculated at a maximum of 4.5% of the previous year's 12-month average of the Fund's market value. In order to meet the investment mission of the Foundation the investment strategy is to emphasize total return; that is the aggregate return from capital appreciation and dividend and interest income.

Endowment net asset composition by type of fund as of May 31, 2018:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 953,394	$ 1,147,584	$ 2,100,978
Board-designated endowment funds	5,388,775	-	-	5,388,775
Total Funds	$ 5,388,775	$ 953,394	$ 1,147,584	$ 7,489,753

Changes in endowment net assets for the year ended May 31, 2018:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets,				
Beginning of the year	$ 4,454,963	$ 739,568	$ 1,147,584	$ 6,342,115
Investment income	94,902	40,123	-	135,025
Unrealized and realized loss	522,757	183,793	-	706,550
Contributions	548,993	4,436	-	553,429
Appropriated for expenditure	(232,840)	(14,526)	-	(247,366)
Balance at May 31, 2018	$ 5,388,775	$ 953,394	$ 1,147,584	$ 7,489,753

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2018 consist of the following components:

Building improvements	$ 16,495
Furniture and equipment	56,182
Southern Lights	1,414,970
Total property and equipment	1,487,647
Less accumulated depreciation	(1,295,287)
Net property and equipment	$ 192,360

NOTE G – NOTE PAYABLE

On June 5, 2009, the Foundation entered into a revolving note agreement with a bank for borrowings up to $800,000. As of May 31, 2018, this note bears interest at the institution's "Prime Rate" plus 1.00%. The note was renewed through October 2018. The note is secured by the Foundation's cash accounts, receivables, barn and endowment pledges, as well as certain other assets of the Foundation. As of May 31, 2018, the outstanding balance on this note was $0.

NOTE H – UNRESTRICTED, DESIGNATED NET ASSETS

In addition to the unrestricted, designated endowments, the Foundation has set aside designated monies of $66,370 as of May 31, 2018. Total unrestricted, designated net assets are $5,455,145 as of May 31, 2018.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at May 31, 2018 are available for the following purposes:

African American Exhibit	$ 42
Campground	8,434
Cigar Statue	95
Dedicated Horse Path – Fund and Pledge	56,853
Draft Horse	8,310
Dressage Complex	55,947
Fisk Fund	100
Golf Cart Fund	713
Hall of Champions	16,969
Horses of the World	1,175
Invisible Ink	200
Jackson Fund	2,071
Jacobs Endowment	192,763
KHPLP	18,527
Leave a Legacy	2,850
Little Endowment	760,631
Man O' War Statue	1,922
Memorial Garden	62
Mounted Police	9,776
Mustang Troop	49,462
National Horse Show – Museum	1,559
Native Plants	520
Purebred Arabian Trust	55,466
Robert Murphy Memorial	5,525
Steffee Fund	100,000
Total	$1,349,972

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the W. Paul Little Cultural and Learning Endowment and the Dr. Donald L. Jacobs Endowment. The endowments have been established in the amount of $1,000,000 and $147,584. Income derived from the principal is to be used as support for projects and programs of the International Museum of the Horse and the Kentucky Horse Park Education Department.

NOTE K – DONATED SERVICES

No amounts have been recorded in the statements for volunteer donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Foundation's program services and to its fundraising events.

NOTE L – OPERATING LEASE

During the year ended May 31, 2017, the Foundation entered into a lease agreement with The United States Pony Clubs, Inc. to lease office space. The agreement is a two year lease that began on April 1, 2017 and will end on March 31, 2019. Payments of $2,232 are due monthly.

Future lease obligations of the Foundation are as follows:

2019
$ 22,320

NOTE M – RELATED PARTY TRANSACTIONS

During the year ended May 31, 2018, the Foundation made the following disbursements to the Kentucky Horse Park:

AIM Museum	$ 12,141
Dedicated Horse Path	9,365
In-Kind	87,715
International Museum of the Horse	83,371
KHP Equine Operations	3,744
KHP Literacy/Field Trip Project	10,702
Mounted Police	1,050
Mustang/Equine Troop	22,081
Park Projects	501,999
Volunteers	44,765
Total	$776,933

The Foundation leases property (Southern Lights) from the Kentucky Horse Park from November through December of each year. This lease is renewed annually. The Kentucky Horse Park charged the Foundation rent of $38,825 for the fiscal year ended May 31, 2018.

The Foundation and the Kentucky Horse Park accept advertising on their websites. The Foundation collects receipts related to the sale of these advertisements and uses the funds in support of the Kentucky Horse Park. As of May 31, 2018, the Foundation collected $2,015 related to the sale of these advertisements and has been recognized as other revenue in the statement of activities and changes in net assets.

NOTE N – NET ASSETS RESTATEMENT

For the year ended May 31, 2017, management of the Foundation determined that there were unrestricted, designated net assets that were classified as temporarily restricted net assets. The following net asset restatement was made at May 31, 2017:

Temporarily restricted net assets, May 31, 2017	$1,134,770
Net asset restatement	(78,905)
Restated temporarily restricted net assets, May 31, 2017	$1,055,865

NOTE O – SUBSEQUENT EVENT

Starting June 1, 2018, Southern Lights Management, LLC, was set up as a disregarded LLC of the Foundation. The purpose of the LLC shall be to conduct the Southern Lights fundraising event at and for the benefit of the Kentucky Horse Park and to transact any other lawful business. Transfers totaling $100,000 were sent from the operating bank account to the LLC bank account as seed money for the 2018 Southern Lights fundraising event.

NOTE P – DATE OF MANAGEMENT'S REVIEW

The Foundation's subsequent events have been evaluated by management through October 5, 2018, which is the date the financial statements were available to be issued.

KENTUCKY HORSE PARK FOUNDATION, INC.

SUPPLEMENTAL INFORMATION

YEAR ENDED MAY 31, 2018

KENTUCKY HORSE PARK FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED MAY 31, 2018

Bank charges	$ 1,200
Contract labor	3,200
Depreciation	1,172
Dues and fees - operating	958
Insurance	23,885
Meals and entertainment - operating	145
Meetings	730
Office equipment	1,816
Office supplies - operating	2,339
Other operating expenses	120
Payroll taxes	11,795
Postage and freight	741
Printing - operating	882
Professional fees	13,750
Rentals - operating	26,784
Salaries and wages	169,028
Technology	879
Telephone	3,399
Travel	23
Utilities	1,607
Total	$264,453

KENTUCKY HORSE PARK FOUNDATION, INC.
SOUTHERN LIGHTS INCOME STATEMENT
YEAR ENDED MAY 31, 2018

Revenues:	
Other income	$ 12,797
Santa photos	38,263
Sponsorships	47,500
Stroll	55,667
Ticket sales	553,640
Vendor booths	14,650
Total Revenues	722,517
Expenses:	
Advertising and promotion	55,000
Bank charges	4,004
Bluegrass railway	2,500
Cash transit service	6,152
Contract labor	25,384
Decorations	1,032
Depreciation	32,278
Insurance	14,000
Lighting supplies/accessories	16,300
Mini express train	18,000
Music/sound	6,800
Other operating expenses	10,811
Park rental	38,825
Petting zoo	25,000
Printing	3,970
Production costs	118,488
Santa	25,288
Security	11,063
Stroll	19,261
Total Expenses	434,156
Net Income	$288,361

Hicks & Associates CPAs

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Kentucky Horse Park Foundation, Inc.
Lexington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky Horse Park Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hicks & Associates CPAs

October 5, 2018