

# **Fieldstone Farm Therapeutic Riding Center and The TRC Foundation**

**Combined Financial Statements  
December 31, 2017 and 2016**

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Financial Statements**

**December 31, 2017 and 2016**

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## Independent Auditor's Report

To the Boards of Trustees of  
Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation

We have audited the accompanying combined financial statements of Fieldstone Farm Therapeutic Riding Center and The TRC Foundation (collectively referred to as the "Organization," nonprofit corporations), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, functional expenses 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

To the Boards of Trustees of  
Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation

## **Opinion**

In our opinion, the 2017 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, 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.

## **Prior Period Financial Statements**

The combined financial statements of the Organization as of December 31, 2016, were audited by other auditors whose report dated June 7, 2017, expressed an unmodified opinion on those combined financial statements.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of activities on page 24 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*C. J. ... + ... , Inc.*

Cleveland, Ohio  
June 14, 2018

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statements of Financial Position**

**December 31, 2017 and 2016**

	<u>Assets</u>	
	2017	2016
Current assets:		
Cash and equivalents		
Operating	\$ 400,414	\$ 389,483
Restricted	268,290	219,390
Foundation	631,150	305,601
Total cash and equivalents	1,299,854	914,474
Pledges receivable	149,336	300,302
Accounts receivable – program, net	8,295	6,398
Accounts receivable – other	1,678	1,119
Prepays	41,908	36,777
Total current assets	1,501,071	1,259,070
Property, plant, and equipment, at cost:		
Land	440,750	440,750
Land improvements	733,416	696,775
Building	2,394,571	2,356,914
Horses	74,675	78,075
Equipment	695,573	620,721
	4,338,985	4,193,235
Less accumulated depreciation	(2,152,775)	(2,065,426)
	2,186,210	2,127,809
Other Assets:		
Board designated capital reserve cash	10,721	20,000
Investments	7,450,232	6,241,362
Pledges receivable, net	288,202	293,475
Total assets	\$ 11,436,436	\$ 9,941,716

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statements of Financial Position (continued)**

**December 31, 2017 and 2016**

Liabilities and Net Assets

	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 33,672	\$ 15,154
Current portion of capital lease	11,111	9,108
Deferred revenue	<u>5,075</u>	<u>1,461</u>
Total current liabilities	49,858	25,723
Capital lease	<u>8,710</u>	<u>11,421</u>
Total liabilities	58,568	37,144
Net assets:		
Unrestricted – operating	194,329	382,596
Unrestricted – net investment in property, plant, and equipment	2,166,389	2,088,757
Unrestricted – Board designated capital reserve	10,721	20,000
Unrestricted – Board controlled – Foundation	7,863,408	6,374,752
Unrestricted – Board designated operating reserve	<u>180,000</u>	<u>160,000</u>
Total unrestricted net assets	10,414,847	9,026,105
Temporarily restricted – FFTRC	572,467	274,171
Temporarily restricted – Foundation	<u>325,254</u>	<u>538,996</u>
Total temporarily restricted net assets	897,721	813,167
Permanently restricted – Foundation	<u>65,300</u>	<u>65,300</u>
Total net assets	<u>11,377,868</u>	<u>9,904,572</u>
Total liabilities and net assets	\$ <u>11,436,436</u>	\$ <u>9,941,716</u>

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statement of Activities**

**For the year ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Contributions	\$ 558,152	\$ 515,630	\$ -	\$ 1,073,782
Donated horses	10,500	-	-	10,500
Special event revenue	366,186	56,837	-	423,023
Less: costs of special event	<u>(141,653)</u>	<u>-</u>	<u>-</u>	<u>(141,653)</u>
Total public support	793,185	572,467	-	1,365,652
Revenues:				
Tuition, net	298,167	-	-	298,167
Gaitway	104,062	-	-	104,062
Rent	10,069	-	-	10,069
Miscellaneous	<u>37,263</u>	<u>-</u>	<u>-</u>	<u>37,263</u>
Total revenues	449,561	-	-	449,561
Investment income designated for operations	265,510	-	-	265,510
Transfer to Board designated operating reserve	(20,000)	-	-	(20,000)
Net assets released from restrictions	<u>274,171</u>	<u>(274,171)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,762,427</u>	<u>298,296</u>	<u>-</u>	<u>2,060,723</u>
Expenses:				
Program services	1,545,917	-	-	1,545,917
Management and general	124,798	-	-	124,798
Fundraising	<u>211,706</u>	<u>-</u>	<u>-</u>	<u>211,706</u>
Total expenses	<u>1,882,421</u>	<u>-</u>	<u>-</u>	<u>1,882,421</u>
Change in net assets from operating activity	(119,994)	298,296	-	178,302
Non-operating activity:				
Contributions – general	226,205	-	-	226,205
Contributions – campaign	-	4,002	-	4,002
Investment income	69,512	-	-	69,512
Investment fees	(44,985)	-	-	(44,985)
Net realized and unrealized gains on investments	1,285,770	-	-	1,285,770
Investment income designated for operations	(265,510)	-	-	(265,510)
Transfer to Board designated operating reserve	20,000	-	-	20,000
Net assets released from restrictions	<u>217,744</u>	<u>(217,744)</u>	<u>-</u>	<u>-</u>
Total non-operating activity	<u>1,508,736</u>	<u>(213,742)</u>	<u>-</u>	<u>1,294,994</u>
Change in net assets	1,388,742	84,554	-	1,473,296
Net assets – beginning of year	<u>9,026,105</u>	<u>813,167</u>	<u>65,300</u>	<u>9,904,572</u>
Net assets – end of year	\$ <u>10,414,847</u>	\$ <u>897,721</u>	\$ <u>65,300</u>	\$ <u>11,377,868</u>

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statement of Activities**

**For the year ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Contributions	\$ 753,444	\$ 260,952	\$ -	\$ 1,014,396
Donated horses	6,800	-	-	6,800
Special event revenue	373,663	-	-	373,663
Less: costs of special event	<u>(116,246)</u>	<u>-</u>	<u>-</u>	<u>(116,246)</u>
Total public support	1,017,661	260,952	-	1,278,613
Revenues:				
Tuition, net	283,219	-	-	283,219
Gaitway	107,926	-	-	107,926
Rent	8,886	-	-	8,886
Miscellaneous	<u>19,562</u>	<u>-</u>	<u>-</u>	<u>19,562</u>
Total revenues	419,593	-	-	419,593
Investment income designated for operations	254,771	-	-	254,771
Net assets released from restrictions	<u>237,032</u>	<u>(237,032)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,929,057</u>	<u>23,920</u>	<u>-</u>	<u>1,952,977</u>
Expenses:				
Program services	1,488,948	-	-	1,488,948
Management and general	120,155	-	-	120,155
Fundraising	<u>224,555</u>	<u>-</u>	<u>-</u>	<u>224,555</u>
Total expenses	<u>1,833,658</u>	<u>-</u>	<u>-</u>	<u>1,833,658</u>
Change in net assets from operating activity	95,399	23,920	-	119,319
Non-operating activity:				
Contributions – general	37,584	-	-	37,584
Contributions – campaign	5,234	14,351	-	19,585
Investment income	65,120	-	-	65,120
Investment fees	(40,069)	-	-	(40,069)
Net realized and unrealized gains on investments	497,118	-	-	497,118
Investment income designated for operations	(254,771)	-	-	(254,771)
Net assets released from restrictions	<u>298,422</u>	<u>(298,422)</u>	<u>-</u>	<u>-</u>
Total non-operating activity	<u>608,638</u>	<u>(284,071)</u>	<u>-</u>	<u>324,567</u>
Change in net assets	704,037	(260,151)	-	443,886
Net assets – beginning of year	<u>8,322,068</u>	<u>1,073,318</u>	<u>65,300</u>	<u>9,460,686</u>
Net assets – end of year	<u>\$ 9,026,105</u>	<u>\$ 813,167</u>	<u>\$ 65,300</u>	<u>\$ 9,904,572</u>

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



**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statement of Functional Expenses**

**For the year ended December 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 750,337	\$ 82,577	\$ 147,041	\$ 979,955
Fringe benefits	113,627	13,221	10,224	137,072
Payroll taxes	<u>56,887</u>	<u>6,400</u>	<u>10,033</u>	<u>73,320</u>
	920,851	102,198	167,298	1,190,347
Other expenses:				
Horse operating	249,752	-	-	249,752
Depreciation	108,237	9,353	16,035	133,625
Maintenance and utilities	54,479	3,666	6,176	64,321
Student expense	21,507	-	-	21,507
Office supplies and expenses	32,224	2,088	2,902	37,214
Marketing and communications	23,009	1,770	10,416	35,195
Insurance	33,403	-	-	33,403
Meeting and education	25,680	927	1,656	28,263
Contract labor	23,401	2,013	2,541	27,955
Professional fees	16,411	1,358	2,405	20,174
Volunteer expenses	13,767	-	-	13,767
Telephone	9,301	804	1,378	11,483
Postage	3,134	322	447	3,903
Bad debt	1,356	-	-	1,356
Miscellaneous	662	299	452	1,413
Loss on sale/retirement of assets – cash	2,703	-	-	2,703
Loss on sale/retirement of assets – non-cash	<u>6,040</u>	<u>-</u>	<u>-</u>	<u>6,040</u>
	<u>625,066</u>	<u>22,600</u>	<u>44,408</u>	<u>692,074</u>
Total functional expenses	\$ <u>1,545,917</u>	\$ <u>124,798</u>	\$ <u>211,706</u>	\$ <u>1,882,421</u>

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statement of Functional Expenses**

**For the year ended December 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 722,085	\$ 75,022	\$ 140,666	\$ 937,773
Fringe benefits	109,944	11,423	21,417	142,784
Payroll taxes	<u>53,359</u>	<u>5,544</u>	<u>10,395</u>	<u>69,298</u>
	885,388	91,989	172,478	1,149,855
Other expenses:				
Horse operating	227,990	-	-	227,990
Depreciation	109,199	11,345	21,273	141,817
Maintenance and utilities	60,380	6,273	11,763	78,416
Campaign costs	-	-	1,566	1,566
Student expense	25,682	-	-	25,682
Office supplies and expenses	23,940	2,487	4,664	31,091
Marketing and communications	20,671	2,148	4,027	26,846
Insurance	31,264	-	-	31,264
Meeting and education	18,979	582	1,092	20,653
Contract labor	23,313	2,004	1,765	27,082
Professional fees	16,512	1,716	3,217	21,445
Volunteer expenses	13,436	-	-	13,436
Telephone	8,839	918	1,722	11,479
Postage	2,866	363	370	3,599
Bad debt	1,684	-	-	1,684
Miscellaneous	3,172	330	618	4,120
Loss on sale/retirement of assets	<u>15,633</u>	<u>-</u>	<u>-</u>	<u>15,633</u>
	<u>603,560</u>	<u>28,166</u>	<u>52,077</u>	<u>683,803</u>
	\$ <u>1,488,948</u>	\$ <u>120,155</u>	\$ <u>224,555</u>	\$ <u>1,833,658</u>

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ 1,473,296	\$ 443,886
Adjustments to reconcile change in net assets to net cash and equivalents provided by operating activities:		
Depreciation	133,625	141,817
Net realized and unrealized gains on investments	(1,285,770)	(497,118)
Loss on sale/retirement of assets	6,040	15,633
Non-cash donations of horses	(10,500)	(6,800)
(Increase) decrease in assets:		
Pledges receivable	156,239	276,790
Accounts receivable – program	(1,897)	(60)
Accounts receivable – other	(559)	30,881
Prepays	(5,131)	3,685
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	18,518	(32,778)
Deferred revenue	3,614	(1,530)
	487,475	374,406
Net cash and equivalents provided by operating activities		
Cash flows from investing activities		
Purchases of property, plant, and equipment	(177,553)	(63,598)
Proceeds from sale of property and equipment	-	300
Purchases of investments	(452,688)	(533,781)
Proceeds from sales of investments	529,588	185,161
	(100,653)	(411,918)
Net cash used by investing activities		
Cash flows from financing activities		
Payments on capital lease	(10,721)	(9,108)
	(10,721)	(9,108)
Net cash and equivalents used by financing activities		
Increase (decrease) in cash and equivalents	376,101	(46,620)
Cash and equivalents – beginning of year	934,474	981,094
Cash and equivalents – end of year	\$ 1,310,575	\$ 934,474

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

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Combined Statements of Cash Flows (continued)**

**For the years ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Supplemental disclosures of cash flow information:</b>		
Non-cash investing and financing activities:		
Purchase of property and equipment financed through capital leases	\$ 10,013	\$ -

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

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 1: Summary of Significant Accounting Policies

#### Organization and Operations

Fieldstone Farm Therapeutic Riding Center (the “Center” or “FFTRC”) engages the therapeutic power of our horses to discover and nurture the special abilities of individuals, families and communities. The TRC Foundation (the “Foundation”) was organized in 1995 to operate exclusively for the support of Fieldstone Farm Therapeutic Riding Center.

#### Combination

The combined financial statements include the accounts of the Center and the Foundation (collectively referred to as the “Organization”). All significant intercompany accounts and transactions have been eliminated in combination.

#### Basis of Presentation

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying combined financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – represent net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets include amounts designated by the Boards of Trustees for specific purposes. In prior years, the Center has transferred \$160,000 of funds not utilized for operations back to the Foundation. In 2017, an additional \$20,000 was transferred back to the Foundation. This balance of \$180,000 is included as an unrestricted net asset under the Foundation Board designated operating reserve; however, the Center’s Board of Trustees can request these funds to be transferred back to the Center at any time.

*Temporarily Restricted Net Assets* – result from timing differences between the receipt of funds and the incurrence of the related expenses. The Organization reports gifts of cash and other assets as 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 combined statements of activities as net assets released from restrictions. Gifts with a donor restriction where the restriction expires in the same year the gift is recognized are recorded as an addition to unrestricted net assets in the year recognized. Similarly, restricted investment income utilized during the same year it is earned is reflected as unrestricted.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 1: Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

*Permanently Restricted Net Assets* – represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

#### Use of Estimates

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Reclassifications

Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current year combined financial statements.

#### Cash and Equivalents

For purposes of the combined statements of cash flows, the cash and equivalents include short-term highly liquid investments with original maturities of three months or less, other than cash and equivalents held at brokerage accounts, which is included in investments.

#### Accounts Receivable

The Center utilizes the allowance method to account for potential uncollectible receivables from tuition fees. The Center estimates the allowance for doubtful accounts based upon management's review of all accounts and an assessment of the Center's historical evidence of collections. Specific accounts are charged directly to the allowance when management obtains evidence that the account is uncollectible. The allowance was \$773 at December 31, 2017 and 2016.

#### Contributions and Pledges Receivable

Unconditional pledges are recognized as revenues in the period the promise is received. Conditional pledges are recognized when the conditions upon which they depend are substantially met. The pledges are stated at their fair value. Pledges that are to be received over a period of years are discounted to their fair value assuming their respective payment terms and an appropriate discount rate as of the date the pledge is received. The discount is amortized into contribution revenue over the term of the respective pledge agreement.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 1: Summary of Significant Accounting Policies (continued)

#### Contributions and Pledges Receivable (continued)

The Organization utilizes the allowance method to account for potential uncollectible pledges receivable. The Organization estimates the allowance for doubtful accounts based upon management's review of all accounts and an assessment of the Organization's historical evidence of collections. Specific accounts are charged directly to the allowance when management obtains evidence that the account is uncollectible.

The Organization considers all contributions to be unrestricted unless specially restricted by the donor. Donated items are reflected as contributions at their estimated fair market value at the time of donation.

#### Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if contributed, estimated market value at the date of the gift. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. The following lives are assigned to the various assets:

Land improvements	20 years
Building	40 years
Horses and equipment	3-8 years

#### Income Taxes

The Organization's entities are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986. No provision for federal income taxes has been reported in the financial statements for exempt-purpose activities.

The Organization accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Organization classifies interest and penalties related to income tax matters as management and general expenses in the accompanying combined financial statements. As of December 31, 2017 and 2016, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Organization's entities each file a Federal Form 990 in the U.S. federal jurisdiction and a state registration in the office of the state's Attorney General for the State of Ohio.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 1: Summary of Significant Accounting Policies (continued)

#### Tuition

The Center provides lessons at an estimated fair market value of \$120 per lesson for 2017 and 2016. However, through a substantial contribution of approximately 23,200 and 21,500 volunteer hours during 2017 and 2016, respectively, the Center subsidizes the lessons. In addition, tuition is presented net of riderships awarded.

The tuition revenue for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Fair market value of lessons provided	\$ 2,039,280	\$ 1,969,440
Less: the Center's subsidy	<u>(1,741,113)</u>	<u>(1,686,221)</u>
Net tuition revenue	\$ <u>298,167</u>	\$ <u>283,219</u>

#### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and equivalents, investments, and pledges receivable. Concentration risks with respect to rents and other receivables are primarily due to the significant portion of receivables outstanding with two donors, which represents 60% and 52% of the balance at December 31, 2017 and 2016, respectively.

The Foundation has significant investments in equity securities and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who operate under an Investment Policy Statement (IPS) approved by the Foundation Board and the Board of FFTRC. Though the market value of investments is subject to fluctuations, the Boards believe that the investment policy is prudent for the long-term welfare of the Foundation.

At various times during the years ended December 31, 2017 and 2016, the Organization's cash in bank balances may have exceeded the federally insured limits.



# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 1: Summary of Significant Accounting Policies (continued)

#### Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities and Health Care Entities – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled “net assets without donor restriction” and “net assets with donor restrictions,” (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of this ASU on its combined financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. This ASU is required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the presentation of restricted cash as included in the cash balances in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of this ASU is permitted. Management believes that this ASU will not have an impact on its combined financial statements as it already presents cash on the combined statements of cash flows in the manner required by this ASU.

#### Subsequent Events

The Organization has evaluated events for potential disclosure or recognition in the combined financial statements through June 14, 2018, the date the financial statements were available to be issued.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

**December 31, 2017 and 2016**

**Note 2: Fair Value Measurements**

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset or liability and are based on the best available information, which has been internally developed.

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2017:

	2017			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 3,201,359	\$ -	\$ -	\$ 3,201,359
Investment in Private Placement Fund	-	3,804,207	-	3,804,207
Private equity	-	-	117,038	117,038
Limited partnership	-	-	272,704	272,704
<b>Total</b>	<b>\$ <u>3,201,359</u></b>	<b>\$ <u>3,804,207</u></b>	<b>\$ <u>389,742</u></b>	<b>\$ <u>7,395,308</u></b>

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2016:

	2016			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 2,780,278	\$ -	\$ -	\$ 2,780,278
Investment in Private Placement Fund	-	3,112,876	-	3,112,876
Private equity	-	-	68,126	68,126
Limited partnership	-	-	257,243	257,243
<b>Total</b>	<b>\$ <u>2,780,278</u></b>	<b>\$ <u>3,112,876</u></b>	<b>\$ <u>325,369</u></b>	<b>\$ <u>6,218,523</u></b>

Financial assets also include cash and equivalents of \$54,924 and \$22,839 at December 31, 2017 and 2016, respectively.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 2: Fair Value Measurements (continued)

#### Exchange Traded Funds

The Foundation invests in exchange traded funds in a variety of industries with quoted prices in active markets that are considered to be Level 1 inputs.

#### Private Placement Fund

The Foundation has a percentage of its investment in a Private Placement Fund that is valued at Level 2. The Private Placement Fund consists primarily of marketable securities including exchange traded funds (“ETFs”). These underlying investments are quoted on a daily basis. The terms of the private placement memorandum limit contributions and redemptions to “closing dates,” which are the first day of each quarter. For redemptions, 30 days’ written notice is required.

#### Private Equity

The Foundation has a percentage of its investment in several Private Placement Funds that are valued at Level 3 based on redemption restrictions as described below. The fund is valued monthly and valuations are obtained from fund managers and validated through the Foundation and its investment advisor. Redemptions are limited by the fund manager and the fund is not redeemable in the near term.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in methodologies used in 2016 to 2017. Furthermore, while the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different valuation methodologies or assumptions to determine the fair value of certain instruments could result in different fair value measurement at the reporting date.

#### Limited Partnership

The Foundation has a percentage interest in a limited partnership. The underlying holdings of that limited partnership include assets that are considered Levels 1, 2, and 3 in the fair value hierarchy. The Level 3 holdings are significant to the value of the limited partnership. Investors in the fund receive valuations on a monthly basis. Investors have a one year lock-up period which has expired for the Foundation, and after one year there is a 30-day liquidation notice. As the Foundation holds an interest in the limited partnership, as opposed to the underlying investments, this holding is considered a Level 3 measurement.

## Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

### Notes to Combined Financial Statements

**December 31, 2017 and 2016**

**Note 2: Fair Value Measurements (continued)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	<u>Limited Partnership</u>	<u>Private Equity</u>	<u>Total</u>
Balance January 1, 2017	\$ 257,243	\$ 68,126	\$ 325,369
Contributions	-	-	-
Withdrawals	-	-	-
Change in market value	<u>15,461</u>	<u>48,912</u>	<u>64,373</u>
Balance December 31, 2017	\$ <u>272,704</u>	\$ <u>117,038</u>	\$ <u>389,742</u>
	<u>Limited Partnership</u>	<u>Private Equity</u>	<u>Total</u>
Balance January 1, 2016	\$ -	\$ -	\$ -
Contributions	250,000	43,600	293,600
Withdrawals	-	-	-
Change in market value	<u>7,243</u>	<u>24,526</u>	<u>31,769</u>
Balance December 31, 2016	\$ <u>257,243</u>	\$ <u>68,126</u>	\$ <u>325,369</u>

**Note 3: Victories Forever Campaign/Pledges Receivable**

For the years ended December 31, 2017 and 2016, a present value discount rate of 5% was used for pledges that are receivable beyond one year. The balance of the discount was \$49,849 at December 31, 2017 and 2016. Management has deemed all pledges collectible and, accordingly, no allowance was recorded at December 31, 2017 and 2016.

Pledges receivable are due as follows for the years ending December 31:

	<u>Campaign</u>	<u>Other</u>	<u>Total</u>
2018	\$ 98,050	\$ 51,286	\$ 149,336
2019	91,251	45,000	136,251
2020	30,300	20,000	50,300
2021	20,300	-	20,300
2022	20,300	-	20,300
Thereafter	<u>110,900</u>	<u>-</u>	<u>110,900</u>
	371,101	116,286	487,387
Discount	<u>(45,847)</u>	<u>(4,002)</u>	<u>(49,849)</u>
Total pledges outstanding at December 31, 2017	\$ <u>325,254</u>	\$ <u>112,284</u>	\$ <u>437,538</u>

## Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

### Notes to Combined Financial Statements

**December 31, 2017 and 2016**

**Note 4: Temporarily Restricted Net Assets**

Temporarily restricted net assets balances and amounts released are as follows:

	2017					
	Beginning Balance	Additions	Net Assets Released	Ending Balance	Cash Received	Pledges Receivable
Other programs	\$ 154,350	\$ 333,272	\$ (154,350)	\$ 333,272	\$ 333,272	\$ -
Veterans' programs	40,154	117,212	(40,154)	117,212	117,212	-
Autism programs	24,886	65,697	(24,886)	65,697	9,699	55,998
Time restricted	54,781	56,286	(54,781)	56,286	-	56,286
Campaign	538,996	4,002	(217,744)	325,254	-	325,254
	\$ 813,167	\$ 576,469	\$ (491,915)	\$ 897,721	\$ 460,183	\$ 437,538
	2016					
	Beginning Balance	Additions	Net Assets Released	Ending Balance	Cash Received	Pledges Receivable
Other programs	\$ 78,517	\$ 151,017	\$ (75,184)	\$ 154,350	\$ 154,350	\$ -
Veterans' programs	107,848	40,154	(107,848)	40,154	40,154	-
Autism programs	31,386	15,000	(21,500)	24,886	24,886	-
Time restricted	32,500	54,781	(32,500)	54,781	-	54,781
Campaign	823,067	14,351	(298,422)	538,996	-	538,996
	\$ 1,073,318	\$ 275,303	\$ (535,454)	\$ 813,167	\$ 219,390	\$ 593,777

**Note 5: Endowment Funds**

The Codification provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Foundation's endowment consists of donor-restricted funds with the income used to support operations as well as funds designated by the Board of Trustees (the "Board") to function as endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 5: Endowment Funds (continued)

Interpretation of relevant law – the Foundation believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the “historic dollar value” of donor-restricted endowment funds. “Historic dollar value” as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Foundation classifies the historic dollar value of a donor-restricted endowment fund as permanently restricted net assets.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted and retains that classification until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in Ohio UPMIFA requirements.

As provided in Ohio UPMIFA, notwithstanding the foregoing accounting classifications, unless the gift instrument creating a donor-restricted endowment fund expressly provides otherwise, the Board may, from time to time, appropriate for expenditure such portion of the permanently restricted net assets as the Board determines is prudent, after application of the factors set forth below:

- The duration and preservation of the funds
- The purposes of the Foundation and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Return objectives and risk parameters – the Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as funds designated by the Board to function as endowment. Under this policy, as approved by both Boards, the endowment assets are invested in a manner that is designed to maximize long-term returns by allocating assets between equities and cash instruments.

The basic philosophy of the IPS is to state the investment objectives, strategies, guidelines and restrictions of the Foundation, which are used to guide managers, to establish performance benchmarks and to detail the process by which the annual payout will be determined. The long-term objective is to maximize support to the Center without diminishing the real value of the Foundation’s assets. Endowment funds are subject to the IPS approved by both Boards.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

**December 31, 2017 and 2016**

**Note 5: Endowment Funds (continued)**

Strategies employed for achieving objectives – Given the ‘in perpetuity’ nature of the endowment and to satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places the greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment funds are appropriated based on an approval process through both the Foundation Board and the FFTRC Board. The Foundation disbursed to the Center 5% of a twelve quarter average market value of investable assets for the years ended December 31, 2017 and 2016. The Foundation appropriated \$265,510 and \$254,771 for the years ended December 31, 2017 and 2016, respectively.

	As of December 31, 2017		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 6,481,663	\$ 65,300	\$ 6,546,963
Investment return:			
Investment income	69,432	-	69,432
Investment fees	(44,985)	-	(44,985)
Net realized and unrealized gains	<u>1,285,770</u>	<u>-</u>	<u>1,285,770</u>
Total investment return	1,310,217	-	1,310,217
Contributions	489,712	-	489,712
Appropriation of endowment assets for expenditure	<u>(265,510)</u>	<u>-</u>	<u>(265,510)</u>
Endowment net assets, end of year	\$ <u>8,016,082</u>	\$ <u>65,300</u>	\$ <u>8,081,382</u>

**Fieldstone Farm Therapeutic Riding Center  
and The TRC Foundation**

**Notes to Combined Financial Statements**

**December 31, 2017 and 2016**

**Note 5: Endowment Funds (continued)**

	As of December 31, 2016		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,791,748	\$ 65,300	\$ 5,857,048
Investment return:			
Investment income	65,094	-	65,094
Investment fees	(40,069)	-	(40,069)
Net realized and unrealized gains	497,118	-	497,118
Total investment return	522,143	-	522,143
Contributions	422,543		422,543
Appropriation of endowment assets for expenditure	(254,771)		(254,771)
Endowment net assets, end of year	\$ <u>6,481,663</u>	\$ <u>65,300</u>	\$ <u>6,546,963</u>

At December 31, 2017 and 2016, the Organization had cash of \$27,326 and \$53,089, respectively, for purposes of investment in the Board designated endowment fund.

**Note 6: Line of Credit**

The Center entered into a revolving line of credit with PNC Bank that renews annually with a maximum borrowing limit of \$250,000 and secured by real property. Outstanding balances on the line carry interest at a rate of prime plus 1.25% (5.75% and 5.00% at December 31, 2017 and 2016, respectively). The line is available for temporary funding of expenses and there was no outstanding balance at December 31, 2017 and 2016.



# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2017 and 2016

### Note 7: Capital Leases

The Center entered into capital lease obligations for computer hardware and equipment expiring between July 2019 and March 2022. The computers have a total capitalized cost of \$52,267 and \$45,614 and accumulated depreciation of \$30,622 and \$20,597 at December 31, 2017 and 2016, respectively. Future minimum lease payments are as follows:

2018	\$	11,111
2019		4,317
2020		2,004
2021		2,004
2022		<u>385</u>
Total minimum lease payments		19,821
Less: amount representing interest		<u>-</u>
Present value of minimum lease payments	\$	<u><u>19,821</u></u>

Management estimates any interest expense related to these capital leases to be immaterial to the combined financial statements.

### Note 8: Subsequent Event

Subsequent to December 31, 2017, the Foundation received the first installment payment (approximately \$1.8 million) from a trust in which the Foundation was named a beneficiary. The Foundation's share of the trust is estimated to be between \$5 million to \$6 million and is expected to be received in full over the course of 2018 and 2019. While the Foundation was notified of its interest in the trust during 2017, there was a period during which the trust could be contested that extended into 2018. The Foundation elected not to record its share of the trust until such time as it became unconditional (2018).

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Combining Statement of Activities

For the year ended December 31, 2017

	Unrestricted FFTRC	Temporarily Restricted FFTRC	Unrestricted Board Controlled Foundation	Temporarily Restricted Foundation	Permanently Restricted Foundation	2017 Totals
Public support, revenues, and gains:						
Public support:						
Contributions	\$ 558,152	\$ 515,630	\$ -	\$ -	\$ -	\$ 1,073,782
Donated horses	10,500	-	-	-	-	10,500
Special event revenue	366,186	56,837	-	-	-	423,023
Less: costs of special event	<u>(141,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,653)</u>
Total public support	793,185	572,467	-	-	-	1,365,652
Revenues:						
Tuition, net	298,167	-	-	-	-	298,167
Gaitway	104,062	-	-	-	-	104,062
Rent	10,069	-	-	-	-	10,069
Miscellaneous	<u>37,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,263</u>
Total revenues	449,561	-	-	-	-	449,561
Investment income designated for operations	265,510	-	-	-	-	265,510
Transfer to Board designated operating reserve	(20,000)	-	-	-	-	(20,000)
Net assets released from restrictions	<u>274,171</u>	<u>(274,171)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,762,427</u>	<u>298,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,060,723</u>
Expenses:						
Program services	1,545,917	-	-	-	-	1,545,917
Management and general	124,798	-	-	-	-	124,798
Fund raising	<u>211,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,706</u>
Total expenses	<u>1,882,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,882,421</u>
Change in net assets from operating activity	(119,994)	298,296	-	-	-	178,302
Non-operating activity						
Contributions – general	-	-	226,205	-	-	226,205
Contributions – campaign	-	-	-	4,002	-	4,002
Investment income	80	-	69,432	-	-	69,512
Investment fees	-	-	(44,985)	-	-	(44,985)
Net realized and unrealized gains on investments	-	-	1,285,770	-	-	1,285,770
Investment income designated for operations	-	-	(265,510)	-	-	(265,510)
Transfer to Board designated operating reserve	-	-	20,000	-	-	20,000
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>217,744</u>	<u>(217,744)</u>	<u>-</u>	<u>-</u>
Total non-operating activity	<u>80</u>	<u>-</u>	<u>1,508,656</u>	<u>(213,742)</u>	<u>-</u>	<u>1,294,994</u>
Change in net assets	(119,914)	298,296	1,508,656	(213,742)	-	1,473,296
Net assets – beginning of year	<u>2,491,353</u>	<u>274,171</u>	<u>6,534,752</u>	<u>538,996</u>	<u>65,300</u>	<u>9,904,572</u>
Net assets – end of year	<u>\$ 2,371,439</u>	<u>\$ 572,467</u>	<u>\$ 8,043,408</u>	<u>\$ 325,254</u>	<u>\$ 65,300</u>	<u>\$ 11,377,868</u>