

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

**Combined Financial Statements
December 31, 2019 and 2018**

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

Combined Financial Statements

December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

Cimini & Partners, PC

Cleveland, Ohio
June 4, 2020

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

Combined Statements of Financial Position

December 31, 2019 and 2018

	<u>Assets</u>	
	2019	2018
Current assets:		
Cash and equivalents		
Operating	\$ 547,937	\$ 454,502
Restricted	<u>268,661</u>	<u>230,719</u>
Total cash and equivalents	816,598	685,221
Pledges receivable	139,573	162,927
Accounts receivable – program, net	6,331	4,847
Accounts receivable – other	1,572	2,070
Prepays	<u>30,988</u>	<u>63,410</u>
Total current assets	995,062	918,475
Property, plant, and equipment, at cost:		
Land	440,750	440,750
Land improvements	759,041	754,351
Building	2,516,147	2,436,755
Horses	75,875	71,775
Equipment	<u>784,651</u>	<u>731,005</u>
	4,576,464	4,434,636
Less accumulated depreciation	<u>(2,386,578)</u>	<u>(2,269,579)</u>
	2,189,886	2,165,057
Other assets:		
Board-designated capital reserve cash	110,721	110,721
Board-designated endowment:		
Investments	15,397,758	11,142,370
Cash	302,483	388,528
Pledges receivable, net	<u>672</u>	<u>249,385</u>
Total assets	\$ <u>18,996,582</u>	\$ <u>14,974,536</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 Financial Position (continued)

December 31, 2019 and 2018

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 62,429	\$ 49,357
Current portion of capital leases	7,872	7,745
Deferred revenue	<u>18,484</u>	<u>9,309</u>
Total current liabilities	88,785	66,411
Capital leases	<u>17,584</u>	<u>14,536</u>
Total liabilities	106,369	80,947
Net assets without donor restrictions:		
Operating	415,616	451,849
Net investment in property, plant, and equipment	2,164,430	2,142,776
Board-designated capital reserve	110,721	110,721
Board-controlled – Foundation	15,488,878	11,309,998
Board-designated operating reserve	<u>210,000</u>	<u>180,000</u>
Total net assets without donor restrictions	18,389,645	14,195,344
Net assets with donor restrictions:		
To be held in perpetuity – time restricted	65,300	65,300
Not yet expended due to time or purpose restrictions	<u>435,268</u>	<u>632,945</u>
Total net assets with donor restrictions	500,568	698,245
Total net assets	<u>18,890,213</u>	<u>14,893,589</u>
Total liabilities and net assets	\$ <u>18,996,582</u>	\$ <u>14,974,536</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 754,544	\$ 252,170	\$ 1,006,714
Donated horses	11,900	-	11,900
Special event revenue	425,083	-	425,083
Less: direct benefits to donors	<u>(151,181)</u>	<u>-</u>	<u>(151,181)</u>
Total public support	1,040,346	252,170	1,292,516
Revenues:			
Tuition, net	286,424	-	286,424
Gaitway	75,330	-	75,330
Rent	8,715	-	8,715
Miscellaneous	<u>40,046</u>	<u>-</u>	<u>40,046</u>
Total revenues	410,515	-	410,515
Investment income designated for operations	354,058	-	354,058
Transfer to Board-designated operating reserve	(30,000)	-	(30,000)
Net assets released from restrictions	<u>214,412</u>	<u>(214,412)</u>	<u>-</u>
Total public support and revenues	<u>1,989,331</u>	<u>37,758</u>	<u>2,027,089</u>
Expenses:			
Program services	1,655,757	-	1,655,757
Management and general	112,800	-	112,800
Fundraising	<u>236,085</u>	<u>-</u>	<u>236,085</u>
Total expenses	<u>2,004,642</u>	<u>-</u>	<u>2,004,642</u>
Change in net assets from operating activity	(15,311)	37,758	22,447
Non-operating activity:			
Contributions – general	1,516,507	-	1,516,507
Contributions – campaign	-	41,572	41,572
Investment return, net	2,740,156	-	2,740,156
Investment income designated for operations	(354,058)	-	(354,058)
Transfer to Board-designated operating reserve	30,000	-	30,000
Net assets released from restrictions	<u>277,007</u>	<u>(277,007)</u>	<u>-</u>
Total non-operating activity	<u>4,209,612</u>	<u>(235,435)</u>	<u>3,974,177</u>
Change in net assets	4,194,301	(197,677)	3,996,624
Net assets – beginning of year	<u>14,195,344</u>	<u>698,245</u>	<u>14,893,589</u>
Net assets – end of year	\$ <u>18,389,645</u>	\$ <u>500,568</u>	\$ <u>18,890,213</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Public support:			
Contributions	\$ 842,108	\$ 191,727	\$ 1,033,835
Donated horses	3,400	-	3,400
Special event revenue	440,303	-	440,303
Less: direct benefits to donors	<u>(138,014)</u>	<u>-</u>	<u>(138,014)</u>
Total public support	1,147,797	191,727	1,339,524
Revenues:			
Tuition, net	278,358	-	278,358
Gaitway	98,067	-	98,067
Rent	9,412	-	9,412
Miscellaneous	<u>35,355</u>	<u>-</u>	<u>35,355</u>
Total revenues	421,192	-	421,192
Investment income designated for operations	301,627	-	301,627
Net assets released from restrictions	<u>423,227</u>	<u>(423,227)</u>	<u>-</u>
Total public support and revenues	<u>2,293,843</u>	<u>(231,500)</u>	<u>2,062,343</u>
Expenses:			
Program services	1,630,706	-	1,630,706
Management and general	110,485	-	110,485
Fundraising	<u>221,125</u>	<u>-</u>	<u>221,125</u>
Total expenses	<u>1,962,316</u>	<u>-</u>	<u>1,962,316</u>
Change in net assets from operating activity	331,527	(231,500)	100,027
Non-operating activity:			
Contributions – general	4,834,502	-	4,834,502
Contributions – campaign	-	4,276	4,276
Investment return, net	(1,121,457)	-	(1,121,457)
Investment income designated for operations	(301,627)	-	(301,627)
Net assets released from restrictions	<u>37,552</u>	<u>(37,552)</u>	<u>-</u>
Total non-operating activity	<u>3,448,970</u>	<u>(33,276)</u>	<u>3,415,694</u>
Change in net assets	3,780,497	(264,776)	3,515,721
Net assets – beginning of year	<u>10,414,847</u>	<u>963,021</u>	<u>11,377,868</u>
Net assets – end of year	\$ <u>14,195,344</u>	\$ <u>698,245</u>	\$ <u>14,893,589</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, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 797,716	\$ 76,677	\$ 158,828	\$ 1,033,221
Fringe benefits	116,292	7,242	12,665	136,199
Payroll taxes	<u>59,802</u>	<u>5,037</u>	<u>11,497</u>	<u>76,336</u>
	973,810	88,956	182,990	1,245,756
Other expenses:				
Horse operating	271,652	-	-	271,652
Depreciation	105,733	9,000	15,429	130,162
Maintenance and utilities	77,526	4,533	7,627	89,686
Student expense	22,363	-	-	22,363
Office supplies and expenses	37,632	2,145	3,564	43,341
Marketing and communications	24,324	1,382	16,223	41,929
Insurance	33,920	-	-	33,920
Meeting and education	25,844	398	896	27,138
Contract labor	28,123	2,188	3,940	34,251
Professional fees	18,786	1,889	2,936	23,611
Volunteer expenses	13,279	-	-	13,279
Telephone	10,021	866	1,485	12,372
Postage	2,911	249	420	3,580
Bad debt	6,087	-	-	6,087
Event expenses: direct				
benefits to donors	-	-	151,181	151,181
Miscellaneous	124	1,194	575	1,893
Cost to dispose of assets	885	-	-	885
Loss on sale/retirement of assets	<u>2,737</u>	<u>-</u>	<u>-</u>	<u>2,737</u>
	<u>681,947</u>	<u>23,844</u>	<u>204,276</u>	<u>910,067</u>
Total functional expenses	1,655,757	112,800	387,266	2,155,823
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(151,181)</u>	<u>(151,181)</u>
Total expenses included in the expenses section of the statement of activities	\$ <u>1,655,757</u>	\$ <u>112,800</u>	\$ <u>236,085</u>	\$ <u>2,004,642</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, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 805,749	\$ 76,058	\$ 155,887	\$ 1,037,694
Fringe benefits	111,042	7,685	13,438	132,165
Payroll taxes	<u>60,156</u>	<u>4,852</u>	<u>11,137</u>	<u>76,145</u>
	976,947	88,595	180,462	1,246,004
Other expenses:				
Horse operating	265,150	-	-	265,150
Depreciation	104,724	9,013	15,444	129,181
Maintenance and utilities	77,173	4,414	7,556	89,143
Student expense	19,540	-	-	19,540
Office supplies and expenses	33,059	1,934	3,313	38,306
Marketing and communications	26,584	1,163	5,125	32,872
Insurance	34,581	-	-	34,581
Meeting and education	23,695	764	1,340	25,799
Contract labor	21,460	1,855	3,180	26,495
Professional fees	15,566	1,345	2,306	19,217
Volunteer expenses	13,530	-	-	13,530
Telephone	9,159	792	1,357	11,308
Postage	2,536	218	373	3,127
Bad debt	1,980	-	-	1,980
Event expenses: direct				
benefits to donors	-	-	138,014	138,014
Miscellaneous	899	392	669	1,960
Cost to dispose of assets	1,937	-	-	1,937
Loss on sale/retirement of assets	<u>2,186</u>	<u>-</u>	<u>-</u>	<u>2,186</u>
	<u>653,759</u>	<u>21,890</u>	<u>178,677</u>	<u>854,326</u>
 Total functional expenses	 1,630,706	 110,485	 359,139	 2,100,330
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(138,014)</u>	<u>(138,014)</u>
Total expenses included in the expenses section of the statement of activities	<u>\$ 1,630,706</u>	<u>\$ 110,485</u>	<u>\$ 221,125</u>	<u>\$ 1,962,316</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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ 3,996,624	\$ 3,515,721
Adjustments to reconcile change in net assets to net cash and equivalents provided by operating activities:		
Depreciation	130,162	129,181
Bad debt expense	6,087	1,980
Donated horses	(11,900)	(3,400)
Net realized and unrealized (gain) loss on investments	(2,623,283)	1,203,423
Loss on sale/retirement of assets	2,737	2,186
Decrease (increase) in assets:		
Pledges receivable	265,980	23,246
Accounts receivable – program	(1,484)	3,448
Accounts receivable – other	498	(392)
Prepays	32,422	(21,502)
Increase in liabilities		
Accounts payable and accrued expenses	13,072	15,685
Deferred revenue	9,175	4,234
Net cash and equivalents provided by operating activities	1,820,090	4,873,810
Cash flows from investing activities		
Purchases of property, plant, and equipment	(134,216)	(92,654)
Purchases of investments	(2,132,161)	(5,370,834)
Proceeds from sales of investments	500,056	475,273
Net cash used by investing activities	(1,766,321)	(4,988,215)
Cash flows from financing activities		
Payments on capital leases	(8,437)	(11,700)
Net cash and equivalents used by financing activities	(8,437)	(11,700)
Increase (decrease) in cash and equivalents	45,332	(126,105)
Cash and equivalents – beginning of year	1,184,470	1,310,575
Cash and equivalents – end of year	\$ 1,229,802	\$ 1,184,470

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Components of cash and cash equivalents:		
Operating cash	\$ 547,937	\$ 454,502
Restricted cash	268,661	230,719
Board-designated capital reserve cash	110,721	110,721
Board-designated endowment cash	<u>302,483</u>	<u>388,528</u>
Total cash and cash equivalents	\$ <u>1,229,802</u>	\$ <u>1,184,470</u>
 Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities:		
Purchase of property and equipment financed through capital lease	\$ 11,612	\$ 14,160

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, 2019 and 2018

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 reported as follows:

Net Assets Without Donor Restrictions – represent net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for use unless specifically restricted by the donor. Included in these net assets are amounts designated by the Boards of Trustees for specific purposes. The Board-designated operating reserve represents amounts the Center has not utilized for operations and has transferred back to the Foundation. The Center’s Board of Trustees may request these funds to be transferred back to the Center at any time.

Net Assets With Donor Restrictions – represent net assets that are subject to donor-imposed restrictions as to time and/or purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as net assets without donor restrictions. Similarly, restricted investment income utilized during the same year it is earned is reported as net assets without donor restrictions.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that superseded 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. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization's combined financial statements have been updated to reflect the implementation of this standard on a retrospective basis. There was no impact on beginning net assets as a result of this implementation.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted. The Organization's combined financial statements have been updated to reflect the implementation of this standard on a modified prospective basis. There was no impact on beginning net assets as a result of this implementation.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* to provide clarity in the requirements for the presentation of restricted cash on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization's combined financial statements have been updated to reflect the implementation of this standard on a retrospective basis. There was no impact on beginning net assets as a result of this implementation.

Revenue Recognition

The Organization's contracts are with students and the Western Reserve Educational Service Center (WRESC). A contract is identified when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

The Organization may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Organization reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Organization is taking the practical expedient approach for tuition as all contracts are the same.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The transaction price for tuition is the agreed upon tuition fee. Each riding lesson is considered a separate performance obligation. Tuition revenue is recognized at a point in time, when the student receives the riding lesson.

Gaitway revenue consists of revenue received by WRESC for tuition on behalf of the students. The transaction price for Gaitway revenue is the agreed upon fee per the contract, which is calculated each quarter. The performance obligation is considered the tuition per quarter, as the customer simultaneously receives and consumes the benefits provided by the Organization's performance as the Organization performs, the Gaitway revenue is recognized over time. The Gaitway revenue is recognized ratably over the quarter the tuition is earned.

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, 2019 and 2018.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 without donor restriction 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 fair 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. No provision for federal income taxes has been reported in the combined 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, 2019 and 2018, 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.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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 Attorney General for the State of Ohio.

Tuition

The Center provides lessons at an estimated fair market value of \$130 per lesson for 2019 and 2018. However, through a substantial contribution of approximately 25,400 and 24,800 volunteer hours during 2019 and 2018, respectively, the Center subsidizes the lessons. In addition, tuition is presented net of riderships awarded.

The tuition revenue for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Fair market value of lessons provided	\$ 2,116,920	\$ 2,119,520
Less: the Center's subsidy	<u>(1,830,496)</u>	<u>(1,841,162)</u>
Net tuition revenue	\$ <u>286,424</u>	\$ <u>278,358</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 revenue are primarily the result of a significant bequest from one donor that represents 24% and 86% of revenue for the years ended December 31, 2019 and 2018, respectively, which is included in non-operating activity in the accompanying statements of activities. Concentration risks with respect to pledges receivable are primarily due to the significant portion of receivables outstanding with two donors, which represents 60% and 65% of the balance at December 31, 2019 and 2018, 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. Though the market value of investments is subject to fluctuations, the Foundation Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

At various times during the years ended December 31, 2019 and 2018, 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, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses, Derivatives and Hedging, and Leases*, which delayed the effective date of ASU 2016-02 for the Organization to years beginning after December 15, 2020. Management is currently evaluating the impact of ASU 2016-02 on its combined financial statements.

Subsequent Events

The Organization has evaluated events for potential disclosure or recognition in the combined financial statements through June 4, 2020, the date the combined financial statements were available to be issued.

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). The Organization has experienced disruptions to its operations and fundraising efforts. The financial markets have experienced significant declines and high volatility. Governmental agencies have made indications of their desire to provide aid to for-profit and nonprofit entities affected by COVID-19, including via Congress's passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In May 2020, the Organization received a loan of \$193,600 pursuant to the Payroll Protection Program (PPP) under the CARES Act. The loan matures in May of 2022 and bears interest at 1% per annum. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization is currently evaluating the effects of COVID-19 on its operations.

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.

**Fieldstone Farm Therapeutic Riding Center
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Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 2: Fair Value Measurements (continued)

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 3,844,525	\$ -	\$ -	\$ 3,844,525
Equities	5,449,514	-	-	5,449,514
Money market funds	1,285,639	-	-	1,285,639
Private Placement Funds	-	4,119,514	-	4,119,514
Private equity	-	-	432,440	432,440
Limited partnership	-	-	266,126	266,126
	\$ <u>10,579,678</u>	\$ <u>4,119,514</u>	\$ <u>698,566</u>	\$ <u>15,397,758</u>

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 2,971,838	\$ -	\$ -	\$ 2,971,838
Equities	3,822,558	-	-	3,822,558
Money market funds	555,092	-	-	555,092
Private Placement Funds	-	3,311,601	-	3,311,601
Private equity	-	-	222,414	222,414
Limited partnership	-	-	258,867	258,867
	\$ <u>7,350,488</u>	\$ <u>3,311,601</u>	\$ <u>481,281</u>	\$ <u>11,142,370</u>

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 Funds

Beginning in 2018, the Foundation invested in private placement funds. These partnerships invest in publicly traded securities with quoted prices in active markets.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 2: Fair Value Measurements (continued)

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 funds are valued monthly and valuations are obtained from fund managers and validated through the Foundation and its investment advisor. Redemptions are limited by the funds' managers and the funds are 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 2018 to 2019. 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.

Settlement of the investment in the limited partnership occurred subsequent to year-end. A 95% payout occurred upon the settlement date. The remaining 5% holdback will be received later in 2020.

An unfunded commitment to make future year investments of \$693,947 into private equity partnerships remains at December 31, 2019.

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, 2019	\$ 258,867	\$ 222,414	\$ 481,281
Contributions	-	-	-
Withdrawals	-	-	-
Change in market value	<u>7,259</u>	<u>210,026</u>	<u>217,285</u>
Balance December 31, 2019	\$ <u>266,126</u>	\$ <u>432,440</u>	\$ <u>698,566</u>

**Fieldstone Farm Therapeutic Riding Center
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Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 2: Fair Value Measurements (continued)

Limited Partnership (continued)

	<u>Limited Partnership</u>	<u>Private Equity</u>	<u>Total</u>
Balance January 1, 2018	\$ 272,704	\$ 117,038	\$ 389,742
Contributions	-	-	-
Withdrawals	-	-	-
Change in market value	<u>(13,837)</u>	<u>105,376</u>	<u>91,539</u>
Balance December 31, 2018	\$ <u>258,867</u>	\$ <u>222,414</u>	\$ <u>481,281</u>

Note 3: Victories Forever Campaign/Pledges Receivable

For the years ended December 31, 2019 and 2018, a present value discount rate of 5% was used for pledges that are receivable beyond one year. The balance of the discount was \$-0- and \$43,715 at December 31, 2019 and 2018, respectively. Management has deemed all pledges collectible and, accordingly, no allowance was recorded at December 31, 2019 and 2018.

The Organization anticipates receiving additional funds related to a bequest received during 2018; however, as the amount cannot be reasonably estimated, no receivable has been reflected as of December 31, 2019. Revenue related to amounts received from this bequest of \$1,444,765 and \$4,738,036 was recognized during the years ended December 31, 2019 and 2018, respectively.

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

	<u>Campaign</u>	<u>Other</u>	<u>Total</u>
2020	\$ 55,991	\$ 83,582	\$ 139,573
2021	552	60	612
2022	-	60	60
2023	-	-	-
2024	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total pledges outstanding at December 31, 2019	\$ <u>56,543</u>	\$ <u>83,702</u>	\$ <u>140,245</u>

**Fieldstone Farm Therapeutic Riding Center
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Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 4: Net Assets with Donor Restrictions

The balances and amounts released from restriction are as follows:

	2019			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Other programs	\$ 110,256	\$ 220,066	\$ (155,505)	\$ 174,817
Veterans' programs	106,353	25,879	(22,325)	109,907
Autism programs	44,024	-	(11,582)	32,442
Time restricted	80,334	6,225	(25,000)	61,559
Time restricted – perpetuity	65,300	-	-	65,300
Campaign	291,978	41,572	(277,007)	56,543
	\$ 698,245	\$ 293,742	\$ (491,419)	\$ 500,568
	2018			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Other programs	\$ 333,272	\$ 85,220	\$ (308,236)	\$ 110,256
Veterans' programs	117,212	57,459	(68,318)	106,353
Autism programs	65,697	-	(21,673)	44,024
Time restricted	56,286	49,048	(25,000)	80,334
Time restricted – perpetuity	65,300	-	-	65,300
Campaign	325,254	4,276	(37,552)	291,978
	\$ 963,021	\$ 196,003	\$ (460,779)	\$ 698,245

Note 5: Net Asset Classification of Endowment Funds

The Organization's endowment consists of funds with donor restrictions, held by the Foundation, with the income used to support operations as well as funds designated by the Boards of Trustees (the "Boards") to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Boards to function as endowments, 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, 2019 and 2018

Note 5: Net Asset Classification of Endowment Funds (continued)

The Foundation is subject to the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the Boards appropriates such amounts for expenditure. The Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures prescribed under the law.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 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

	As of December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 11,465,598	\$ 65,300	\$ 11,530,898
Investment return:			
Investment income	182,009	-	182,009
Investment fees	(65,868)	-	(65,868)
Net realized and unrealized gains	<u>2,623,283</u>	<u>-</u>	<u>2,623,283</u>
Total investment return	2,739,424	-	2,739,424
Contributions	1,783,977	-	1,783,977
Appropriation of endowment assets for expenditure	<u>(354,058)</u>	<u>-</u>	<u>(354,058)</u>
Endowment net assets, end of year	\$ <u>15,634,941</u>	\$ <u>65,300</u>	\$ <u>15,700,241</u>

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 5: Net Asset Classification of Endowment Funds (continued)

	As of December 31, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 8,016,082	\$ 65,300	\$ 8,081,382
Investment return:			
Investment income	138,030	-	138,030
Investment fees	(58,443)	-	(58,443)
Net realized and unrealized losses	<u>(1,203,423)</u>	<u>-</u>	<u>(1,203,423)</u>
Total investment return	(1,123,836)	-	(1,123,836)
Contributions	4,874,979	-	4,874,979
Appropriation of endowment assets for expenditure	<u>(301,627)</u>	<u>-</u>	<u>(301,627)</u>
Endowment net assets, end of year	\$ <u>11,465,598</u>	\$ <u>65,300</u>	\$ <u>11,530,898</u>

At December 31, 2019 and 2018, the Organization had cash in-transit of \$63,937 and \$24,400, respectively, for purposes of investment in the Board-designated endowment fund.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment funds with the understanding that those assets will be prudently invested to provide a continuing source of funding for the Organization and its programs. Assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as Board-designated funds.

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. Under this policy, the endowment assets are invested in a manner that is designed to maximize long-term returns by allocating assets between equities and cash instruments.

Strategies Employed for Achieving Objectives

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.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 5: Net Asset Classification of Endowment Funds (continued)

Spending Policy

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, 2019 and 2018. The Foundation appropriated \$354,058 and \$301,627 for the years ended December 31, 2019 and 2018, respectively. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no such underwater funds at December 31, 2019 and 2018.

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% (6.00% and 6.75% at December 31, 2019 and 2018, respectively). The line is available for temporary funding of expenses and there was no outstanding balance at December 31, 2019 and 2018.

Note 7: Capital Leases

The Center entered into capital lease obligations for computer hardware and a copier expiring between March 2022 and July 2024. The equipment has a total capitalized cost of \$77,399 and \$66,787 and accumulated depreciation of \$53,219 and \$41,620 at December 31, 2019 and 2018, respectively. Future minimum lease payments are as follows:

2020	\$	7,872
2021		7,866
2022		5,770
2023		2,322
2024		<u>1,626</u>
Total minimum lease payments		25,456
Less: amount representing interest		<u>-</u>
Present value of minimum lease payments	\$	<u>25,456</u>

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

**Fieldstone Farm Therapeutic Riding Center
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Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 8: Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 816,598	\$ 685,221
Receivables, net	<u>147,476</u>	<u>169,844</u>
Total financial assets available within one year	\$ <u>964,074</u>	\$ <u>855,065</u>

The Board of Trustees, at its discretion, may repurpose the Board-controlled endowment funds, the Board operating reserve, and the Board capital reserve for the purpose of general expenditures.

To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$250,000, upon which it can draw.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9: Combined Statements of Functional Expenses

The combined statements of functional expenses present expenses by functional and natural classification. Expenses directly attributable to program services, management and general, and fundraising are reported as expenses of that functional area. Payroll expenses have been allocated between program, management and general, and fundraising functions based on job roles. Other indirect expenses have been allocated to functional areas either on the basis of payroll per functional area as a percentage of total payroll costs.