

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

**Combined Financial Statements
December 31, 2020 and 2019**

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

Combined Financial Statements

December 31, 2020 and 2019

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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, 2020 and 2019, 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 from material misstatement.

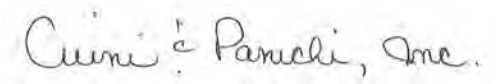
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether 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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Cimini & Panzelli, Inc." The signature is written in dark ink on a light-colored background.

Cleveland, Ohio
June 4, 2021

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

Combined Statements of Financial Position

December 31, 2020 and 2019

	<u>Assets</u>	
	2020	2019
Current assets:		
Cash and equivalents		
Operating	\$ 899,905	\$ 547,937
Restricted	292,185	268,661
Total cash and equivalents	1,192,090	816,598
Pledges receivable	4,375	139,573
Accounts receivable – program, net	4,033	6,331
Accounts receivable – other	1,572	1,572
Prepays	40,722	30,988
Total current assets	1,242,792	995,062
Property, plant, and equipment, at cost:		
Land	440,750	440,750
Land improvements	767,257	759,041
Building	2,516,147	2,516,147
Horses	77,175	75,875
Equipment	846,769	784,651
	4,648,098	4,576,464
Less accumulated depreciation	(2,493,100)	(2,386,578)
	2,154,998	2,189,886
Other assets:		
Board-designated capital reserve cash	110,721	110,721
Board-designated endowment:		
Investments	17,492,224	15,397,758
Cash	742,449	302,483
Pledges receivable, net	200	672
Total assets	\$ 21,743,384	\$ 18,996,582

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, 2020 and 2019

<u>Liabilities and Net Assets</u>		
	2020	2019
Current liabilities:		
Current portion of capital leases	\$ 7,577	\$ 7,872
Accounts payable and accrued expenses	65,952	62,429
Deferred revenue	16,024	18,484
Paycheck Protection Program (PPP) loan	193,600	-
Total current liabilities	283,153	88,785
Capital leases, net of current portion	10,276	17,584
Total liabilities	293,429	106,369
Net assets without donor restrictions:		
Operating	630,988	415,616
Net investment in property, plant, and equipment	2,137,145	2,164,430
Board-designated capital reserve	110,721	110,721
Board-controlled – Foundation	17,979,303	15,488,878
Board-designated operating reserve	210,000	210,000
Total net assets without donor restrictions	21,068,157	18,389,645
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	316,498	435,268
Total net assets with donor restrictions	381,798	500,568
Total net assets	21,449,955	18,890,213
Total liabilities and net assets	\$ 21,743,384	\$ 18,996,582

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 1,002,069	\$ 196,444	\$ 1,198,513
Donated horses	3,300	-	3,300
Special event revenue	15,806	-	15,806
Less: direct benefits to donors	(4,405)	-	(4,405)
Total public support	<u>1,016,770</u>	<u>196,444</u>	<u>1,213,214</u>
Revenues:			
Tuition, net	141,169	-	141,169
Gaitway	128,050	-	128,050
Rent	8,051	-	8,051
Miscellaneous	139,659	-	139,659
Total revenues	<u>416,929</u>	<u>-</u>	<u>416,929</u>
Investment income designated for operations	463,262	-	463,262
Net assets released from restrictions	262,071	(262,071)	-
Total public support and revenues	<u>2,159,032</u>	<u>(65,627)</u>	<u>2,093,405</u>
Expenses:			
Program services	1,625,827	-	1,625,827
Management and general	115,035	-	115,035
Fundraising	230,491	-	230,491
Total expenses	<u>1,971,353</u>	<u>-</u>	<u>1,971,353</u>
Change in net assets from operating activity	187,679	(65,627)	122,052
Non-operating activity:			
Contributions – general	285,022	-	285,022
Investment return, net	2,615,930	-	2,615,930
Investment income designated for operations	(463,262)	-	(463,262)
Net assets released from restrictions	53,143	(53,143)	-
Total non-operating activity	<u>2,490,833</u>	<u>(53,143)</u>	<u>2,437,690</u>
Change in net assets	2,678,512	(118,770)	2,559,742
Net assets – beginning of year	<u>18,389,645</u>	<u>500,568</u>	<u>18,890,213</u>
Net assets – end of year	<u>\$ 21,068,157</u>	<u>\$ 381,798</u>	<u>\$ 21,449,955</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	1,989,331	37,758	2,027,089
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 Functional Expenses

For the year ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 776,416	\$ 77,785	\$ 164,245	\$ 1,018,446
Fringe benefits	119,045	7,364	11,840	138,249
Payroll taxes	<u>58,072</u>	<u>5,298</u>	<u>12,076</u>	<u>75,446</u>
	953,533	90,447	188,161	1,232,141
Other expenses:				
Horse operating	279,076	-	-	279,076
Depreciation	104,605	9,040	15,497	129,142
Maintenance and utilities	89,674	4,795	8,249	102,718
Student expense	14,058	-	-	14,058
Office supplies and expenses	25,709	1,491	2,326	29,526
Marketing and communications	24,332	1,406	4,739	30,477
Insurance	34,446	-	-	34,446
Meeting and education	15,514	329	788	16,631
Contract labor	42,475	3,374	5,785	51,634
Professional fees	18,940	1,637	2,806	23,383
Volunteer expenses	7,615	-	-	7,615
Telephone	10,240	860	1,475	12,575
Postage	3,939	335	498	4,772
Bad debt	445	-	-	445
Event expenses: direct				
benefits to donors	-	-	4,405	4,405
Miscellaneous	1,076	1,321	167	2,564
Loss on sale/retirement of assets	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
	<u>672,294</u>	<u>24,588</u>	<u>46,735</u>	<u>743,617</u>
Total functional expenses	1,625,827	115,035	234,896	1,975,758
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(4,405)</u>	<u>(4,405)</u>
Total expenses included in the expenses section of the statement of activities	<u>\$ 1,625,827</u>	<u>\$ 115,035</u>	<u>\$ 230,491</u>	<u>\$ 1,971,353</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

	Program Services	Management and General	Fundraising	Total
Personnel expenses:				
Salaries	\$ 797,716	\$ 76,677	\$ 158,828	\$ 1,033,221
Fringe benefits	116,292	7,242	12,665	136,199
Payroll taxes	59,802	5,037	11,497	76,336
	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	2,737	-	-	2,737
	681,947	23,844	204,276	910,067
 Total functional expenses	 1,655,757	 112,800	 387,266	 2,155,823
 Less: expenses included with revenues on the statement of activities	 -	 -	 (151,181)	 (151,181)
 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 Statements of Cash Flows

For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 2,559,742	\$ 3,996,624
Adjustments to reconcile change in net assets to net cash and equivalents provided by operating activities:		
Depreciation	129,142	130,162
Bad debt expense	445	6,087
Donated horses	(3,300)	(11,900)
Net realized and unrealized gain on investments	(2,536,879)	(2,623,283)
Loss on sale/retirement of assets	150	2,737
Decrease (increase) in assets:		
Pledges receivable	135,225	265,980
Accounts receivable – program	2,298	(1,484)
Accounts receivable – other	-	498
Prepays	(9,734)	32,422
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	3,523	13,072
Deferred revenue	(2,460)	9,175
Net cash and equivalents provided by operating activities	278,152	1,820,090
Cash flows from investing activities		
Purchases of property, plant, and equipment	(91,804)	(134,216)
Proceeds from sale of property, plant, and equipment	700	-
Purchases of investments	(1,826,786)	(2,132,161)
Proceeds from sales of investments	2,269,199	500,056
Net cash and equivalents provided (used) by investing activities	351,309	(1,766,321)
Cash flows from financing activities		
Payments on capital leases	(7,603)	(8,437)
Proceeds from PPP loan	193,600	-
Net cash and equivalents provided (used) by financing activities	185,997	(8,437)
Increase in cash and equivalents	815,458	45,332
Cash and equivalents – beginning of year	1,229,802	1,184,470
Cash and equivalents – end of year	\$ 2,045,260	\$ 1,229,802

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Components of cash and equivalents:		
Operating cash	\$ 899,905	\$ 547,937
Restricted cash	292,185	268,661
Board-designated capital reserve cash	110,721	110,721
Board-designated endowment cash	<u>742,449</u>	<u>302,483</u>
Total cash and equivalents	<u>\$ 2,045,260</u>	<u>\$ 1,229,802</u>

Supplemental disclosures of cash flow information:

Non-cash investing and financing activities:

Purchase of property, plant, and equipment
financed through capital lease

\$	-	\$	11,612
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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, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Organization and Operations

Fieldstone Farm Therapeutic Riding Center (the “Center” or “FFTRC”) engages the therapeutic power of 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, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

COVID-19 Impact

The Organization was impacted by the COVID-19 pandemic. The pandemic resulted in the temporary shutdown of the facility between March and June 2020 and reduced the ability of the Organization to provide some services to its students throughout the remainder of the year. The Organization cancelled the Chefs Unbridled special event planned for 2020. All donors who had either sponsored the event or purchased tickets were contacted and given the option of a refund, to re-designate their gift to operating support, or to use it for Chefs Unbridled in a future year. The Organization also cancelled the Chefs Unbridled special event planned for 2021.

In May 2020, the Organization received a forgivable loan of \$193,600 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. The loan matures in May of 2022 and bears interest at 1% per annum. Under terms of the PPP, the loan may be forgiven if used for qualifying expenses as described in the CARES Act. The Organization has evaluated this agreement as debt. The Organization received forgiveness for the full amount of the loan subsequent to December 31, 2020.

The quantitative impact of COVID-19 cannot be reasonably estimated at December 31, 2020.

Adopted Accounting Pronouncement

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this ASU is to improve the effectiveness of disclosures in the notes to the financial statements. On January 1, 2020, the Organization adopted this ASU. 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, 2020 and 2019

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.

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. The balances, at times, may exceed federally insured limits.

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, 2020 and 2019.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019

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 \$124 and \$130 per lesson for 2020 and 2019, respectively. However, through a substantial contribution of approximately 11,157 and 25,400 volunteer hours during 2020 and 2019, respectively, the Center subsidizes the lessons. In addition, tuition is presented net of riderships awarded.

The tuition revenue for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Fair market value of lessons provided	\$ 894,784	\$ 2,116,920
Less: the Center's subsidy	<u>(753,615)</u>	<u>(1,830,496)</u>
Net tuition revenue	\$ <u>141,169</u>	\$ <u>286,424</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% of revenue for the year ended December 31, 2019, which is included in non-operating activity in the accompanying statements of activities. There was no concentration risk for revenue for the year ended December 31, 2020. Concentration risks with respect to pledges receivable are primarily due to the significant portion of receivables outstanding with two donors, which represents 74% and 60% of the balance at December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019

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 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 statements of activities and functional expenses. FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that deferred the effective date for the Organization until annual periods beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022.

Management is currently evaluating the impact of these ASUs on its financial statements.

Subsequent Events

The Organization has evaluated events for potential disclosure or recognition in the combined financial statements through June 4, 2021, the date the combined financial statements were available to be issued.

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.

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Notes to Combined Financial Statements

December 31, 2020 and 2019

Note 2: Fair Value Measurements (continued)

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2020:

	2020			Total
	Level 1	Level 2	Level 3	
Exchange traded funds	\$ 4,711,816	\$ -	\$ -	\$ 4,711,816
Equities	5,498,245	-	-	5,498,245
Money market funds	1,103,588	-	-	1,103,588
Private Placement Funds	-	5,425,040	-	5,425,040
Private equity	-	-	630,768	630,768
Limited partnership	-	-	122,767	122,767
Total	\$ <u>11,313,649</u>	\$ <u>5,425,040</u>	\$ <u>753,535</u>	\$ <u>17,492,224</u>

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

	2019			Total
	Level 1	Level 2	Level 3	
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
Total	\$ <u>10,579,678</u>	\$ <u>4,119,514</u>	\$ <u>698,566</u>	\$ <u>15,397,758</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

The Foundation invests in private placement funds. These partnerships invest in publicly traded securities with quoted prices in active markets.

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Notes to Combined Financial Statements

December 31, 2020 and 2019

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 2019 to 2020. 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.

An unfunded commitment to make future year investments of \$827,348 into private equity partnerships remains at December 31, 2020.

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.

Purchases of Level 3 investments totaled \$122,767 for the year ended December 31, 2020.

Note 3: Victories Forever Campaign/Pledges Receivable

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

	<u>Campaign</u>	<u>Other</u>	<u>Total</u>
2021	\$ 2,700	\$ 1,060	\$ 3,760
2022	700	60	760
2023	-	55	55
2024	-	-	-
2025	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total pledges outstanding at December 31, 2020	\$ <u>3,400</u>	\$ <u>1,175</u>	\$ <u>4,575</u>

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Note 4: Net Assets with Donor Restrictions

The balances and amounts released from restriction are as follows:

	2020			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Other programs	\$ 174,817	\$ 91,420	\$ (132,119)	\$ 134,118
Veterans' programs	109,907	105,024	(35,951)	178,980
Autism programs	32,442	-	(32,442)	-
Time restricted	61,559	-	(61,559)	-
Time restricted – perpetuity	65,300	-	-	65,300
Campaign	<u>56,543</u>	<u>-</u>	<u>(53,143)</u>	<u>3,400</u>
	<u>\$ 500,568</u>	<u>\$ 196,444</u>	<u>\$ (315,214)</u>	<u>\$ 381,798</u>
	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	<u>291,978</u>	<u>41,572</u>	<u>(277,007)</u>	<u>56,543</u>
	<u>\$ 698,245</u>	<u>\$ 293,742</u>	<u>\$ (491,419)</u>	<u>\$ 500,568</u>

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Notes to Combined Financial Statements

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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.

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

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Notes to Combined Financial Statements

December 31, 2020 and 2019

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

	As of December 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 15,634,941	\$ 65,300	\$ 15,700,241
Investment return, net:			
Investment income	154,889	-	154,889
Investment fees	(76,246)	-	(76,246)
Net realized and unrealized gains	<u>2,536,879</u>	<u>-</u>	<u>2,536,879</u>
Total investment return, net	2,615,522	-	2,615,522
Contributions	382,172	-	382,172
Appropriation of endowment assets for expenditure	<u>(463,262)</u>	<u>-</u>	<u>(463,262)</u>
Endowment net assets, end of year	\$ <u>18,169,373</u>	\$ <u>65,300</u>	\$ <u>18,234,673</u>
	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, net:			
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, net	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>

At December 31, 2020 and 2019, the Organization had cash in-transit of \$19,930 and \$63,937, respectively, for purposes of investment in the Board-designated endowment fund.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2020 and 2019

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

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.

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, 2020 and 2019. The Foundation appropriated \$463,262 and \$354,058 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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% (4.50% and 6.00% at December 31, 2020 and 2019, respectively). The line is available for temporary funding of expenses and there was no outstanding balance at December 31, 2020 and 2019.

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Notes to Combined Financial Statements

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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 accumulated depreciation of \$61,084 and \$53,219 at December 31, 2020 and 2019, respectively. Future minimum lease payments are as follows:

2021	\$	7,577
2022		6,059
2023		2,322
2024		1,895
2025		-
Total minimum lease payments		<u>17,853</u>
Less: amount representing interest		<u>-</u>
Present value of minimum lease payments	\$	<u><u>17,853</u></u>

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

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>2020</u>	<u>2019</u>
Cash and equivalents - operating	\$ 899,905	\$ 547,937
Receivables, net	<u>9,980</u>	<u>147,476</u>
Total financial assets available within one year	\$ <u><u>909,885</u></u>	\$ <u><u>695,413</u></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.

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Notes to Combined Financial Statements

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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.