

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

**Combined Financial Statements  
December 31, 2021 and 2020**

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

**Combined Financial Statements**

**December 31, 2021 and 2020**

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## **Independent Auditor's Report**

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

### **Opinion**

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Cuini & Panichi, Inc.*

Cleveland, Ohio  
June 16, 2022

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

**Combined Statements of Financial Position**

**December 31, 2021 and 2020**

	<u>Assets</u>	
	2021	2020
Current assets:		
Cash and equivalents		
Operating	\$ 673,990	\$ 899,905
Restricted	397,082	292,185
Total cash and equivalents	1,071,072	1,192,090
Pledges receivable	47,675	4,375
Accounts receivable – program, net	3,605	4,033
Accounts receivable – other	1,572	1,572
Prepays	45,453	40,722
Total current assets	1,169,377	1,242,792
Property, plant, and equipment, at cost:		
Land	440,750	440,750
Land improvements	767,257	767,257
Building	2,530,892	2,516,147
Horses	90,575	77,175
Equipment	862,178	846,769
Construction in progress	63,031	-
	4,754,683	4,648,098
Less accumulated depreciation	(2,615,614)	(2,493,100)
	2,139,069	2,154,998
Other assets:		
Board-designated capital reserve cash	85,721	110,721
Board-designated endowment:		
Investments	20,650,275	17,426,924
Cash	645,081	742,449
Pledges receivable, net of current portion	40,000	200
Donor-restricted endowment	65,300	65,300
	65,300	65,300
Total assets	\$ 24,794,823	\$ 21,743,384

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, 2021 and 2020**

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current liabilities:		
Current portion of capital leases	\$ 5,986	\$ 7,577
Accounts payable and accrued expenses	68,986	65,952
Deferred revenue	8,155	16,024
Paycheck Protection Program (PPP) loan	-	193,600
Total current liabilities	<u>83,127</u>	<u>283,153</u>
Capital leases, net of current portion	<u>4,002</u>	<u>10,276</u>
Total liabilities	<u>87,129</u>	<u>293,429</u>
Net assets without donor restrictions:		
Operating	572,635	630,988
Net investment in property, plant, and equipment	2,129,081	2,137,145
Board-designated capital reserve	85,721	110,721
Board-controlled – Foundation	20,651,770	17,979,303
Board-designated operating reserve	<u>660,000</u>	<u>210,000</u>
Total net assets without donor restrictions	<u>24,099,207</u>	<u>21,068,157</u>
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>543,187</u>	<u>316,498</u>
Total net assets with donor restrictions	<u>608,487</u>	<u>381,798</u>
Total net assets	<u>24,707,694</u>	<u>21,449,955</u>
Total liabilities and net assets	<u>\$ 24,794,823</u>	<u>\$ 21,743,384</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Public support:			
Contributions	\$ 1,135,095	\$ 457,154	\$ 1,592,249
Donated horses	3,600	-	3,600
Special event revenue	13,992	-	13,992
Less: direct benefits to donors	(3,800)	-	(3,800)
Total public support	1,148,887	457,154	1,606,041
Revenues:			
Tuition, net	203,649	-	203,649
Gaitway	109,968	-	109,968
Rent	4,135	-	4,135
Miscellaneous	28,182	-	28,182
Total revenues	345,934	-	345,934
Investment income designated for operations	581,476	-	581,476
Board approved transfer to the TRC Foundation	(450,000)	-	(450,000)
Net assets released from restrictions	228,565	(228,565)	-
Total public support and revenues	1,854,862	228,589	2,083,451
Expenses:			
Program services	1,766,213	-	1,766,213
Management and general	129,104	-	129,104
Fundraising	244,715	-	244,715
Total expenses	2,140,032	-	2,140,032
Change in net assets from operating activity before forgiveness of debt	(285,170)	228,589	(56,581)
Forgiveness of PPP loan	193,600	-	193,600
Change in net assets from operating activity	(91,570)	228,589	137,019
Non-operating activity:			
Contributions – general	28,625	-	28,625
Investment return, net	3,223,571	-	3,223,571
Investment income designated for operations	(581,476)	-	(581,476)
Board approved transfer to the TRC Foundation	450,000	-	450,000
Net assets released from restrictions	1,900	(1,900)	-
Total non-operating activity	3,122,620	(1,900)	3,120,720
Change in net assets	3,031,050	226,689	3,257,739
Net assets – beginning of year	21,068,157	381,798	21,449,955
Net assets – end of year	\$ 24,099,207	\$ 608,487	\$ 24,707,694

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**

	Without Donor Restrictions	With Donor Restrictions	Total
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	1,016,770	196,444	1,213,214
Revenues:			
Tuition, net	150,409	-	150,409
Gaitway	128,050	-	128,050
Rent	8,051	-	8,051
Miscellaneous	130,419	-	130,419
Total revenues	416,929	-	416,929
Investment income designated for operations	463,262	-	463,262
Net assets released from restrictions	262,071	(262,071)	-
Total public support and revenues	2,159,032	(65,627)	2,093,405
Expenses:			
Program services	1,625,827	-	1,625,827
Management and general	115,035	-	115,035
Fundraising	230,491	-	230,491
Total expenses	1,971,353	-	1,971,353
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	2,490,833	(53,143)	2,437,690
Change in net assets	2,678,512	(118,770)	2,559,742
Net assets – beginning of year	18,389,645	500,568	18,890,213
Net assets – end of year	\$ 21,068,157	\$ 381,798	\$ 21,449,955

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, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries	\$ 830,002	\$ 90,026	\$ 171,557	\$ 1,091,585
Fringe benefits	134,081	8,185	15,782	158,048
Payroll taxes	63,213	5,782	13,091	82,086
	<u>1,027,296</u>	<u>103,993</u>	<u>200,430</u>	<u>1,331,719</u>
Other expenses:				
Horse operating	312,531	-	-	312,531
Depreciation	102,921	8,894	15,247	127,062
Maintenance and utilities	83,450	4,508	7,832	95,790
Student expense	27,936	-	-	27,936
Office supplies and expenses	29,232	1,511	2,667	33,410
Marketing and communications	27,063	1,718	5,064	33,845
Insurance	35,616	-	-	35,616
Meeting and education	18,006	420	821	19,247
Contract labor	56,643	4,419	7,575	68,637
Professional fees	19,884	1,718	2,946	24,548
Volunteer expenses	8,376	-	-	8,376
Telephone	9,651	825	1,415	11,891
Postage	2,825	243	392	3,460
Bad debt	160	-	-	160
Event expenses: direct				
benefits to donors	-	-	3,800	3,800
Miscellaneous	1,031	855	326	2,212
Loss on sale/retirement of assets	3,592	-	-	3,592
	<u>738,917</u>	<u>25,111</u>	<u>48,085</u>	<u>812,113</u>
 Total functional expenses	 1,766,213	 129,104	 248,515	 2,143,832
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(3,800)</u>	<u>(3,800)</u>
Total expenses included in the expenses section of the statement of activities	<u>\$ 1,766,213</u>	<u>\$ 129,104</u>	<u>\$ 244,715</u>	<u>\$ 2,140,032</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	58,072	5,298	12,076	75,446
	<u>953,533</u>	<u>90,447</u>	<u>188,161</u>	<u>1,232,141</u>
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	150	-	-	150
	<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 Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 3,257,739	\$ 2,559,742
Adjustments to reconcile change in net assets to net cash and equivalents (used) provided by operating activities:		
Depreciation	127,062	129,142
Bad debt expense	160	445
Donated horses	(3,600)	(3,300)
Net realized and unrealized gain on investments	(3,126,675)	(2,536,879)
Loss on sale/retirement of assets	3,592	150
Forgiveness of PPP loan	(193,600)	-
Decrease (increase) in assets:		
Pledges receivable	(83,260)	135,225
Accounts receivable	428	2,298
Prepays	(4,731)	(9,734)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	3,034	3,523
Deferred revenue	(7,869)	(2,460)
Net cash and equivalents (used) provided by operating activities	(27,720)	278,152
Cash flows from investing activities		
Purchases of property, plant, and equipment	(111,125)	(91,804)
Proceeds from sale of property, plant, and equipment	-	700
Purchases of investments	(688,648)	(1,826,786)
Proceeds from sales of investments	591,972	2,269,199
Net cash and equivalents (used) provided by investing activities	(207,801)	351,309
Cash flows from financing activities		
Payments on capital leases	(7,865)	(7,603)
Proceeds from PPP loan	-	193,600
Net cash and equivalents (used) provided by financing activities	(7,865)	185,997
(Decrease) increase in cash and equivalents	(243,386)	815,458
Cash and equivalents – beginning of year	2,045,260	1,229,802
Cash and equivalents – end of year	\$ 1,801,874	\$ 2,045,260

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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Components of cash and equivalents:</b>		
Operating cash	\$ 673,990	\$ 899,905
Restricted cash	397,082	292,185
Board-designated capital reserve cash	85,721	110,721
Board-designated endowment cash	<u>645,081</u>	<u>742,449</u>
Total cash and equivalents	<u>\$ 1,801,874</u>	<u>\$ 2,045,260</u>

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, 2021 and 2020

### 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, 2021 and 2020

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

#### COVID-19 Impact

The Organization was impacted by the COVID-19 pandemic. The Organization cancelled the Chefs Unbridled special event planned for 2020 and 2021. 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.

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 was scheduled to mature in May of 2022 and bore 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 in 2021. As the Organization received forgiveness, the funding has been recorded as “forgiveness of PPP loan” without donor restrictions in the accompanying combined statement of activities for the year ended December 31, 2021.

The quantitative impact of COVID-19 cannot be reasonably estimated at December 31, 2021.

#### 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.

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 student 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.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2021 and 2020

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

#### 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, 2021 and 2020.

#### 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.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2021 and 2020

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

#### 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, 2021 and 2020, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

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



# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2021 and 2020

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

#### Tuition

The Center provides lessons at an estimated fair market value of \$124 per lesson for each of 2021 and 2020. However, through a substantial contribution of approximately 13,810 and 7,290 volunteer hours during 2021 and 2020, respectively, the Center subsidizes the lessons. In addition, tuition is presented net of riderships awarded.

The tuition revenue for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Fair market value of lessons provided	\$ 1,712,452	\$ 904,024
Less: the Center's subsidy	<u>(1,508,803)</u>	<u>(753,615)</u>
Net tuition revenue	\$ <u>203,649</u>	\$ <u>150,409</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. There was no concentration risk for revenue for the years ended December 31, 2021 or 2020. Concentration risks with respect to pledges receivable are primarily due to the significant portion of receivables outstanding with two donors, which represents 97% and 74% of the balance at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020

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

#### Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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 combined statements of activities and functional expenses. Subsequently issued ASUs 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 combined statement of activities and enhances disclosure requirements. 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 combined financial statements.

#### Subsequent Events

The Organization has evaluated events for potential disclosure or recognition in the combined financial statements through June 16, 2022, 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.

## Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

### Notes to Combined Financial Statements

**December 31, 2021 and 2020**

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

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2021:

	2021			Total
	Level 1	Level 2	Level 3	
Exchange traded funds	\$ 5,135,600	\$ -	\$ -	\$ 5,135,600
Equities	6,604,485	-	-	6,604,485
Money market funds	1,508,630	-	-	1,508,630
Private Placement Funds	-	6,091,050	-	6,091,050
Private equity	-	-	1,144,476	1,144,476
Limited partnership	-	-	231,334	231,334
<b>Total</b>	<b>\$ <u>13,248,715</u></b>	<b>\$ <u>6,091,050</u></b>	<b>\$ <u>1,375,810</u></b>	<b>\$ <u>20,715,575</u></b>

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
<b>Total</b>	<b>\$ <u>11,313,649</u></b>	<b>\$ <u>5,425,040</u></b>	<b>\$ <u>753,535</u></b>	<b>\$ <u>17,492,224</u></b>

#### 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.

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

December 31, 2021 and 2020

### 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 2020 to 2021. 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.

A commitment to make future year investments of \$808,324 into private equity partnerships remains at December 31, 2021.

#### 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 \$104,277 for the year ended December 31, 2021.

### Note 3: Pledges Receivable

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

2022	\$	47,675
2023		20,000
2024		20,000
2025		-
2026		-
		<hr/>
Total pledges outstanding at December 31, 2021	\$	<u>87,675</u>

# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

**December 31, 2021 and 2020**

**Note 4: Net Assets with Donor Restrictions**

The balances and amounts released from restriction are as follows:

	2021			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Other programs	\$ 134,118	\$ 283,969	\$ (132,400)	\$ 285,687
Veterans' programs	178,980	120,802	(96,165)	203,617
Autism programs	-	51,383	-	51,383
Time restricted	-	1,000	-	1,000
Time restricted – perpetuity	65,300	-	-	65,300
Campaign	3,400	-	(1,900)	1,500
	<u>\$ 381,798</u>	<u>\$ 457,154</u>	<u>\$ (230,465)</u>	<u>\$ 608,487</u>
	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	56,543	-	(53,143)	3,400
	<u>\$ 500,568</u>	<u>\$ 196,444</u>	<u>\$ (315,214)</u>	<u>\$ 381,798</u>

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

## **Notes to Combined Financial Statements**

**December 31, 2021 and 2020**

### **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

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

**Notes to Combined Financial Statements**

**December 31, 2021 and 2020**

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

	As of December 31, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 18,169,373	\$ 65,300	\$ 18,234,673
Investment return, net:			
Investment income	195,189	-	195,189
Investment fees	(98,446)	-	(98,446)
Net realized and unrealized gains	3,126,675	-	3,126,675
Total investment return, net	3,223,418	-	3,223,418
Contributions	484,041	-	484,041
Appropriation of endowment assets for expenditure	(581,476)	-	(581,476)
Endowment net assets, end of year	\$ 21,295,356	\$ 65,300	\$ 21,360,656
	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	2,536,879	-	2,536,879
Total investment return, net	2,615,522	-	2,615,522
Contributions	382,172	-	382,172
Appropriation of endowment assets for expenditure	(463,262)	-	(463,262)
Endowment net assets, end of year	\$ 18,169,373	\$ 65,300	\$ 18,234,673

At December 31, 2021 and 2020, the Organization had cash in-transit of \$16,414 and \$19,930, 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, 2021 and 2020

### **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, 2021 and 2020. The Foundation appropriated \$581,476 and \$463,262 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

### **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% at December 31, 2021 and 2020). The line is available for temporary funding of expenses and there was no outstanding balance at December 31, 2021 and 2020.



# Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

## Notes to Combined Financial Statements

**December 31, 2021 and 2020**

**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 \$78,399 and accumulated depreciation of \$68,950 and \$61,084 at December 31, 2021 and 2020, respectively. Future minimum lease payments are as follows:

2022	\$	5,986
2023		2,322
2024		1,680
2025		-
2026		-
Total minimum lease payments		9,988
Less: amount representing interest		-
Present value of minimum lease payments	\$	9,988

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:

	2021	2020
Cash and equivalents - operating	\$ 673,990	\$ 899,905
Receivables, net	6,852	9,980
Total financial assets available within one year	\$ 680,842	\$ 909,885

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.

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

**Notes to Combined Financial Statements**

**December 31, 2021 and 2020**

**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 on the basis of payroll per functional area as a percentage of total payroll costs.