

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

**Combined Financial Statements
December 31, 2022 and 2021**

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

Combined Financial Statements

December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Cimini & Panzelli, Inc.

Cleveland, Ohio
June 15, 2023

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

Combined Statements of Financial Position

December 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
Current assets:		
Cash and equivalents		
Operating	\$ 981,338	\$ 673,990
Restricted	320,895	397,082
Total cash and equivalents	1,302,233	1,071,072
Pledges receivable	26,100	47,675
Accounts receivable – program, net	10,997	3,605
Accounts receivable – other	1,572	1,572
Prepays	58,122	45,453
Total current assets	1,399,024	1,169,377
Property, plant, and equipment, at cost:		
Land	440,750	440,750
Land improvements	777,675	767,257
Building	2,829,547	2,530,892
Horses	84,875	90,575
Equipment	922,874	862,178
Construction in progress	40,988	63,031
	5,096,709	4,754,683
Less accumulated depreciation	(2,703,037)	(2,615,614)
	2,393,672	2,139,069
Other assets:		
Board-designated capital reserve cash	110,000	85,721
Board-designated endowment:		
Investments	17,315,940	20,650,275
Cash	240,698	645,081
Pledges receivable, net of current portion	20,000	40,000
Donor-restricted endowment	65,300	65,300
	17,641,938	21,005,381
Total assets	\$ 21,544,634	\$ 24,794,823

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, 2022 and 2021

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 79,134	\$ 68,986
Other current liabilities	6,138	5,986
Deferred revenue	14,791	8,155
Total current liabilities	<u>100,063</u>	<u>83,127</u>
Other long-term liabilities	<u>12,996</u>	<u>4,002</u>
Total liabilities	<u>113,059</u>	<u>87,129</u>
Net assets without donor restrictions:		
Operating	984,111	572,635
Net investment in property, plant, and equipment	2,374,538	2,129,081
Board-designated capital reserve	110,000	85,721
Board-controlled – Foundation	16,910,022	20,651,770
Board-designated operating reserve	660,000	660,000
Total net assets without donor restrictions	<u>21,038,671</u>	<u>24,099,207</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	327,604	543,187
Total net assets with donor restrictions	<u>392,904</u>	<u>608,487</u>
Total net assets	<u>21,431,575</u>	<u>24,707,694</u>
Total liabilities and net assets	<u>\$ 21,544,634</u>	<u>\$ 24,794,823</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Public support:			
Contributions	\$ 1,063,326	\$ 132,225	\$ 1,195,551
Contributed nonfinancial assets- donated horses	5,900	-	5,900
Contributed nonfinancial assets- other	51,676	-	51,676
Special event revenue	420,188	-	420,188
Less: direct benefits to donors	(110,568)	-	(110,568)
Employee Retention Credit	134,352	-	134,352
Total public support	1,564,874	132,225	1,697,099
Revenues:			
Tuition, net	228,563	-	228,563
Gaitway	114,841	-	114,841
Rent	4,620	-	4,620
Miscellaneous	3,587	-	3,587
Total revenues	351,611	-	351,611
Investment income designated for operations	703,164	-	703,164
Net assets released from restrictions	346,308	(346,308)	-
Total public support and revenues	2,965,957	(214,083)	2,751,874
Expenses:			
Program services	1,863,071	-	1,863,071
Management and general	152,339	-	152,339
Fundraising	269,441	-	269,441
Total expenses	2,284,851	-	2,284,851
Change in net assets from operating activity	681,106	(214,083)	467,023
Non-operating activity:			
Contributions – general	44,220	-	44,220
Investment return, net	(3,084,198)	-	(3,084,198)
Investment income designated for operations	(703,164)	-	(703,164)
Net assets released from restrictions	1,500	(1,500)	-
Total non-operating activity	(3,741,642)	(1,500)	(3,743,142)
Change in net assets	(3,060,536)	(215,583)	(3,276,119)
Net assets – beginning of year	24,099,207	608,487	24,707,694
Net assets – end of year	\$ 21,038,671	\$ 392,904	\$ 21,431,575

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
Contributed nonfinancial assets- donated horses	3,600	-	3,600
Contributed nonfinancial assets- other	37,392	-	37,392
Less: direct benefits to donors	(3,800)	-	(3,800)
Total public support	1,172,287	457,154	1,629,441
Revenues:			
Tuition, net	203,649	-	203,649
Gaitway	109,968	-	109,968
Rent	4,135	-	4,135
Miscellaneous	4,782	-	4,782
Total revenues	322,534	-	322,534
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 Functional Expenses

For the year ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Personnel expenses:				
Salaries	\$ 891,529	\$ 109,475	\$ 188,645	\$ 1,189,649
Fringe benefits	134,143	9,523	16,743	160,409
Payroll taxes	67,193	7,064	13,689	87,946
	1,092,865	126,062	219,077	1,438,004
Other expenses:				
Horse operating	315,606	-	-	315,606
Depreciation	110,474	9,547	16,366	136,387
Maintenance and utilities	81,744	5,015	8,507	95,266
Student expense	41,600	-	-	41,600
Office supplies and expenses	30,552	1,858	3,183	35,593
Marketing and communications	29,303	1,733	9,652	40,688
Insurance	38,237	-	-	38,237
Meeting and education	17,480	135	232	17,847
Contract labor	59,172	4,012	6,877	70,061
Professional fees	20,750	1,793	3,074	25,617
Volunteer expenses	11,238	-	-	11,238
Telephone	8,725	756	1,323	10,804
Postage	3,316	285	480	4,081
Bad debt	1,908	-	-	1,908
Event expenses: direct				
benefits to donors	-	-	110,568	110,568
Miscellaneous	101	1,143	670	1,914
	770,206	26,277	160,932	957,415
Total functional expenses	1,863,071	152,339	380,009	2,395,419
Less: expenses included with revenues on the statement of activities	-	-	(110,568)	(110,568)
Total expenses included in the expenses section of the statement of activities	\$ 1,863,071	\$ 152,339	\$ 269,441	\$ 2,284,851

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

	Program Services	Management and General	Fundraising	Total
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
	1,027,296	103,993	200,430	1,331,719
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
	738,917	25,111	48,085	812,113
Total functional expenses	1,766,213	129,104	248,515	2,143,832
Less: expenses included with revenues on the statement of activities	-	-	(3,800)	(3,800)
Total expenses included in the expenses section of the statement of activities	\$ 1,766,213	\$ 129,104	\$ 244,715	\$ 2,140,032

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ (3,276,119)	\$ 3,257,739
Adjustments to reconcile change in net assets to net cash and equivalents provided (used) by operating activities:		
Depreciation	136,387	127,062
Bad debt expense	1,908	160
Donated horses	(5,900)	(3,600)
Net realized and unrealized loss (gain) on investments	3,191,853	(3,126,675)
(Gain) loss on sale/retirement of assets	(331)	3,592
Forgiveness of PPP loan	-	(193,600)
Decrease (increase) in assets:		
Pledges receivable	39,667	(83,260)
Accounts receivable	(7,392)	428
Prepays	(12,669)	(4,731)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	10,148	3,034
Other liabilities	9,146	(7,865)
Deferred revenue	6,636	(7,869)
Net cash and equivalents provided (used) by operating activities	93,334	(35,585)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(384,759)	(111,125)
Purchases of investments	(1,024,732)	(688,648)
Proceeds from sales of investments	1,167,214	591,972
Net cash and equivalents used by investing activities	(242,277)	(207,801)
Decrease in cash and equivalents	(148,943)	(243,386)
Cash and equivalents – beginning of year	1,801,874	2,045,260
Cash and equivalents – end of year	\$ 1,652,931	\$ 1,801,874

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Components of cash and equivalents:		
Operating cash	\$ 981,338	\$ 673,990
Restricted cash	320,895	397,082
Board-designated capital reserve cash	110,000	85,721
Board-designated endowment cash	<u>240,698</u>	<u>645,081</u>
Total cash and equivalents	<u>\$ 1,652,931</u>	<u>\$ 1,801,874</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, 2022 and 2021

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, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (continued)

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.

Adopted 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 (ROU) model that requires a lessee to record a ROU 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 statement of activities and functional expenses. This ASU is effective for annual periods beginning after December 15, 2021. On January 1, 2022, the Organization adopted this ASU. There was no material impact resulting from the adoption of this standard.

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. On January 1, 2022, the Organization adopted this ASU. There was no material impact resulting from the adoption of this standard.

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.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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, 2022 and 2021.

Contributions and Pledges Receivable

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

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

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

The Organization considers all contributions to be without donor restriction unless specially restricted by the donor.

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, 2022 and 2021, 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, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (continued)

Tuition

The Center provides lessons at an estimated cost of \$176 per lesson for 2022 and \$192 per lesson for 2021. However, through a substantial contribution of approximately 13,510 and 13,810 volunteer hours during 2022 and 2021, respectively, the Center subsidizes the lessons. In addition, tuition is presented net of riderships awarded.

The tuition revenue for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Cost of lessons provided	\$ 2,377,760	\$ 2,651,520
Less: the Center's subsidy	<u>(2,149,197)</u>	<u>(2,447,871)</u>
Net tuition revenue	\$ <u>228,563</u>	\$ <u>203,649</u>

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and pledges receivable. There was no concentration risk for revenue for the years ended December 31, 2022 or 2021. In 2022, concentration risks with respect to pledges receivable are primarily due to the significant portion of receivables outstanding with one donor, which represents 87% of the balance at December 31, 2022. In 2021, concentration risks with respect to pledges receivable are primarily due to the significant portion of receivables outstanding with two donors, which represents 97% of the balance at December 31, 2021.

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, 2022 and 2021, 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, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (continued)

Contributed Nonfinancial Assets

The Organization recognizes contributions of services received when those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The value assigned to the services received is equal to their estimated fair value.

Contributed nonfinancial assets are recorded by the Organization at their estimated fair value at the date of donation. The Organization records the value of the material received or the services rendered as revenue and expense.

Recent Accounting Pronouncements

In June 2016, the FASB issued an amendment on measurement of credit losses on the financial assets held by a reporting entity at each reporting date (ASU 2016-13, *Financial Instruments - Credit Losses*). The guidance required the use of a new current expected credit loss (CECL) model in estimating allowance for doubtful accounts with respect to accounts receivable. The CECL model requires that the Organization estimate its lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the estimated amounts expected to be collected. This guidance is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the potential impact of adopting this guidance on its combined financial statements.

Subsequent Events

The Organization has evaluated events for potential disclosure or recognition in the combined financial statements through June 15, 2023, 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, 2022 and 2021

Note 2: Fair Value Measurements (continued)

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2022:

	2022			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 4,352,650	\$ -	\$ -	\$ 4,352,650
Equities	5,277,513	-	-	5,277,513
Money market funds	1,480,105	-	-	1,480,105
Private Placement Funds	-	4,430,586	-	4,430,586
Private equity	-	-	1,543,161	1,543,161
Limited partnership	-	-	297,225	297,225
	-	-	297,225	297,225
Total	\$ <u>11,110,268</u>	\$ <u>4,430,586</u>	\$ <u>1,840,386</u>	\$ <u>17,381,240</u>

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

	2021			
	Level 1	Level 2	Level 3	Total
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
	-	-	231,334	231,334
Total	\$ <u>13,248,715</u>	\$ <u>6,091,050</u>	\$ <u>1,375,810</u>	\$ <u>20,715,575</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.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2: Fair Value Measurements (continued)

Private Equity

The Foundation has a percentage of its investment in several private equity 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 2021 to 2022. 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 \$1,085,845 into private equity partnerships remains at December 31, 2022.

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 \$200,000 and \$104,277 for the years ended December 31, 2022 and 2021, respectively.

Note 3: Pledges Receivable

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

2023	\$	26,100
2024		20,000
2025		-
2026		-
2027		-
		<hr/>
Total pledges outstanding at December 31, 2022	\$	<u>46,100</u>

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

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 4: Net Assets with Donor Restrictions

The balances and amounts released from restriction are as follows:

	2022			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Other programs	\$ 285,687	\$ 16,226	\$ (138,513)	\$ 163,400
Veterans' programs	203,617	109,999	(155,512)	158,104
Autism programs	51,383	-	(51,383)	-
Time restricted	1,000	6,000	(900)	6,100
Time restricted – perpetuity	65,300	-	-	65,300
Campaign	1,500	-	(1,500)	-
	<u>\$ 608,487</u>	<u>\$ 132,225</u>	<u>\$ (347,808)</u>	<u>\$ 392,904</u>
	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>

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021

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

	As of December 31, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 21,295,356	\$ 65,300	\$ 21,360,656
Investment return, net:			
Investment income	201,811	-	201,811
Investment fees	(94,262)	-	(94,262)
Net realized and unrealized losses	<u>(3,191,853)</u>	<u>-</u>	<u>(3,191,853)</u>
Total investment return, net	(3,084,304)	-	(3,084,304)
Contributions	48,750	-	48,750
Appropriation of endowment assets for expenditure	<u>(703,164)</u>	<u>-</u>	<u>(703,164)</u>
Endowment net assets, end of year	\$ <u>17,556,638</u>	\$ <u>65,300</u>	\$ <u>17,621,938</u>
	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	<u>3,126,675</u>	<u>-</u>	<u>3,126,675</u>
Total investment return, net	3,223,418	-	3,223,418
Contributions	484,041	-	484,041
Appropriation of endowment assets for expenditure	<u>(581,476)</u>	<u>-</u>	<u>(581,476)</u>
Endowment net assets, end of year	\$ <u>21,295,356</u>	\$ <u>65,300</u>	\$ <u>21,360,656</u>

At December 31, 2022 and 2021, the Organization had cash in-transit of \$13,384 and \$16,414, 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, 2022 and 2021

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 4.75% of a twelve quarter average market value of investable assets for the years ended December 31, 2022, and 5.0% of a twelve quarter average market value of investable assets for the years ended December 31, 2021. The Foundation appropriated \$703,164 and \$581,476 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 \$100,000 at December 31, 2022 and \$250,000 at December 31, 2021. The line is secured by real property. Outstanding balances on the line carry interest at a rate of prime plus 2.36% at December 31, 2022 (9.86%) and prime plus 1.25% at December 31, 2021 (4.50%). The line is available for temporary funding of expenses and there was no outstanding balance at December 31, 2022 and 2021.

Note 7: Contributed Nonfinancial Assets

All significant contributed nonfinancial assets are recorded by the Organization at their estimated fair value at the date of donation. The Organization records the value of the material received or the services rendered as revenue. The value of any contributed nonfinancial assets whose benefit will last more than one period is capitalized and amortized over its useful life. For the year ended December 31, contributed nonfinancial assets recognized within the combined statement of activities include:

	2022	2021
Goods for tack sale	\$ 11,835	\$ 13,992
Goods for special event	1,265	-
Horses	5,900	3,600
Truck	6,025	-
Professional services	32,551	23,400
Totals	\$ 57,576	\$ 40,992

Goods for tack sale – The contributed goods include items for a tack sale. The Organization estimates the fair value based on retail prices of identical or similar products. The goods were monetized during the tack sale.

Goods for special event raffle – The contributed goods include donated raffle prizes. The Organization estimates the fair value based on retail prices of identical or similar products. The goods were monetized during a special event raffle.

Horses – The Organization estimates the fair value based on prices of similar horses. The horses are used by the Organization during normal operations.

Truck – The Organization estimates the fair value based on retail prices of identical or similar vehicles. The truck was used by the Organization during normal operations.

Professional services – The contributed professional services recognized are related to IT and media services provided for the Organization. Services are valued and are reported at the estimated fair value based on current rates for similar IT and media services.

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

Notes to Combined Financial Statements

December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash and equivalents - operating	\$ 981,338	\$ 673,990
Receivables, net	<u>12,569</u>	<u>6,852</u>
Total financial assets available within one year	\$ <u>993,907</u>	\$ <u>680,842</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 \$100,000, 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 on the basis of payroll per functional area as a percentage of total payroll costs.

Note 10: Paycheck Protection Program

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.

Independent Auditor's Report on Supplementary Information

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

We have audited the combined financial statements of Fieldstone Farm Therapeutic Riding Center and The TRC Foundation as of and for the years ended December 31, 2022 and 2021, and our report thereon dated June 15, 2023, which expressed an unmodified opinion on those combined financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 15, 2023

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Combining Statement of Activities

For the year ended December 31, 2022

	Without Donor Restriction FFTRC	With Donor Restriction FFTRC	Without Donor Restriction Foundation	With Donor Restriction Foundation	2022 Totals
Public support, revenues, and gains:					
Public support:					
Contributions	\$ 1,063,326	\$ 132,225	\$ -	\$ -	\$ 1,195,551
Contributed nonfinancial assets- donated horses	5,900	-	-	-	5,900
Contributed nonfinancial assets- other	51,676	-	-	-	51,676
Special event revenue	420,188	-	-	-	420,188
Less: direct benefits to donors	(110,568)	-	-	-	(110,568)
Total public support	1,430,522	132,225	-	-	1,562,747
Revenues:					
Tuition, net	228,563	-	-	-	228,563
Gaitway	114,841	-	-	-	114,841
Rent	4,620	-	-	-	4,620
Miscellaneous	3,587	-	-	-	3,587
Total revenues	351,611	-	-	-	351,611
Investment income designated for operations	703,164	-	-	-	703,164
Net assets released from restrictions	346,308	(346,308)	-	-	-
Total public support and revenues	2,831,605	(214,083)	-	-	2,617,522
Expenses:					
Program services	1,863,071	-	-	-	1,863,071
Management and general	152,339	-	-	-	152,339
Fundraising	269,441	-	-	-	269,441
Total expenses	2,284,851	-	-	-	2,284,851
Change in net assets from operating activity	546,754	(214,083)	-	-	332,671
Non-operating activity					
Contributions – general	-	-	44,220	-	44,220
Investment return, net	106	-	(3,084,304)	-	(3,084,198)
Investment income designated for operations	-	-	(703,164)	-	(703,164)
Net assets released from restrictions	-	-	1,500	(1,500)	-
Total non-operating activity	106	-	(3,741,748)	(1,500)	(3,743,142)
Change in net assets	546,860	(214,083)	(3,741,748)	(1,500)	(3,410,471)
Net assets – beginning of year	2,787,437	541,687	21,311,770	66,800	24,707,694
Net assets – end of year	\$ 3,334,297	\$ 327,604	\$ 17,570,022	\$ 65,300	\$ 21,297,223

Fieldstone Farm Therapeutic Riding Center and The TRC Foundation

Combining Statement of Activities

For the year ended December 31, 2021

	Without Donor Restriction FFTRC	With Donor Restriction FFTRC	Without Donor Restriction Foundation	With Donor Restriction Foundation	2021 Totals
Public support, revenues, and gains:					
Public support:					
Contributions	\$ 1,135,095	\$ 457,154	\$ -	\$ -	\$ 1,592,249
Contributed nonfinancial assets- donated horses	3,600	-	-	-	3,600
Contributed nonfinancial assets- other	37,392	-	-	-	37,392
Less: direct benefits to donors	(3,800)	-	-	-	(3,800)
Total public support	1,172,287	457,154	-	-	1,629,441
Revenues:					
Tuition, net	203,649	-	-	-	203,649
Gaitway	109,968	-	-	-	109,968
Rent	4,135	-	-	-	4,135
Miscellaneous	4,782	-	-	-	4,782
Total revenues	322,534	-	-	-	322,534
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	153	-	3,223,418	-	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	153	-	3,122,467	(1,900)	3,120,720
Change in net assets	(91,417)	228,589	3,122,467	(1,900)	3,257,739
Net assets – beginning of year	2,878,854	313,098	18,189,303	68,700	21,449,955
Net assets – end of year	\$ 2,787,437	\$ 541,687	\$ 21,311,770	\$ 66,800	\$ 24,707,694