

**THOROUGHBRED RETIREMENT  
FOUNDATION, INC.  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2015**

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

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**THOROUGHBRED RETIREMENT FOUNDATION, INC.**

**Board of Directors**

**2015**

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Larry Holmes, Treasurer  
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Robert Hutt  
Suzie O'Cain  
Dr. Jerry Bilinski, DVM  
Carl Domino  
Patrick Mackay  
Dr. Nat Messer, DVM  
Richard Migliore  
Dr. William Moyer, DVM

**SHEHEEN, HANCOCK & GODWIN, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET  
P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021  
FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA  
TERRY M. HANCOCK, CPA  
LARRY F. GODWIN, CPA  
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MEMBERS OF  
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TELEPHONE  
(803) 432-1424  
FAX  
(803) 432-1831

WEBSITE: [www.shgcpa.com](http://www.shgcpa.com)

September 6, 2016

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Thoroughbred Retirement Foundation, Inc.  
Saratoga, NY

We have audited the accompanying financial statements of the Thoroughbred Retirement Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Thoroughbred Retirement Foundation, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and expense by location, program services by location, general and administrative expenses by location, and fundraising expenses by location on pages 19-26 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountants

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

**ASSETS**

Cash and Cash Equivalents	\$	327,038
Restricted Cash		227,723
Contribution Receivables		244,640
Prepaid Expenses		1,673
Short-Term Investments		50,623
Long-Term Investments		8,169,696
Fixed Assets, Net of Depreciation		<u>320,631</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>9,342,023</u></b>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$	649,519
Due to Affiliate Organization		28,940
Note Payable - NBSC		1,650,000
Note Payable - Working Capital		<u>500,000</u>
<b>Total Liabilities</b>		<u>2,828,459</u>
<b>Net Assets</b>		
Unrestricted		(1,668,855)
Temporarily Restricted		1,182,419
Permanently Restricted		<u>7,000,000</u>
<b>Total Net Assets</b>		<u>6,513,564</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>9,342,023</u></b>

The notes to the financial statements are an integral part of these statements.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions	\$ 1,934,098	\$ 100,000	\$ -	\$ 2,034,098
In-Kind Contributions	317,873	-	-	317,873
Grants	215,925	-	-	215,925
Special Events				
Revenues	434,578	-	-	434,578
Less: Expenses	(230,768)	-	-	(230,768)
Interest Income	694	5,519	-	6,213
Dividend Income	1,887	172,620	-	174,507
Net Realized and Unrealized Gain (Loss)				
on Long-Term Investments	169	(351,504)	-	(351,335)
Net Assets Released from Restrictions				
Expiration of Time Restriction	<u>505,574</u>	<u>(505,574)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 <u>3,180,031</u>	 <u>(578,940)</u>	 <u>-</u>	 <u>2,601,091</u>
<b>Expenses</b>				
Program Services	2,324,188	-	-	2,324,188
Supporting Services:				
General and Administrative	526,909	-	-	526,909
Fundraising	<u>555,099</u>	<u>-</u>	<u>-</u>	<u>555,099</u>
 Total Expenses	 <u>3,406,196</u>	 <u>-</u>	 <u>-</u>	 <u>3,406,196</u>
 <b>Change In Net Assets</b>	 <u>(226,165)</u>	 <u>(578,940)</u>	 <u>-</u>	 <u>(805,105)</u>
 Net Assets, Beginning of Year	 <u>(1,442,690)</u>	 <u>1,761,359</u>	 <u>7,000,000</u>	 <u>7,318,669</u>
 Net Assets, End of Year	 <u>\$ (1,668,855)</u>	 <u>\$ 1,182,419</u>	 <u>\$ 7,000,000</u>	 <u>\$ 6,513,564</u>

The notes to the financial statements are an integral part of these statements.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	Program Services	General and Administrative	Fundraising	Direct Benefit to Donors	Total
Accounting	\$ -	\$ 62,367	\$ -	\$ -	\$ 62,367
Advertising	-	-	9,222	-	9,222
Appeal and Book Expenses	-	-	-	-	-
Bank Charges	735	9,520	49	-	10,304
Blacksmith	29,227	26,278	22,930	-	78,435
Board	726,849	-	-	-	726,849
Contract Labor	34,750	26,278	22,930	-	83,958
Depreciation	65,511	-	-	-	65,511
Dues	1,095	798	24	-	1,917
Employee Benefits	46,587	5,033	28,710	-	80,330
Equipment Rental	892	26,503	3,337	-	30,732
Feed, Hay and Straw	297,832	-	-	-	297,832
Insurance	26,505	29,591	1,003	-	57,099
Interest	53,367	88,220	539	-	142,126
Internet	1,932	1,728	1,021	-	4,681
Non-recurring Legal Fees	13,132	29,329	-	-	42,461
Medical Supplies	31,658	-	-	-	31,658
Office Supplies	8,504	19,864	1,303	-	29,671
Payroll Taxes	33,082	15,748	30,311	-	79,141
Postage and Freight	2,590	3,999	15,367	-	21,956
Printing and Publications	3,601	299	51,568	-	55,468
Promotional	-	-	28,628	230,768	259,396
Rent	12,466	7,440	9,429	-	29,335
Repairs and Maintenance	38,453	2,008	-	-	40,461
Salaries and Wages	666,721	158,799	306,551	-	1,132,071
Supplies	49,565	1,668	442	-	51,675
Taxes and Licenses	1,081	975	125	-	2,181
Telephone	7,130	4,088	8,038	-	19,256
Transportation	12,872	-	-	-	12,872
Travel	41,557	2,866	12,854	-	57,277
Training	10,529	2,560	-	-	13,089
Utilities	16,475	950	718	-	18,143
Veterinary and Dental Fees	<u>89,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,490</u>
<b>Total Expenses</b>	<b>2,324,188</b>	<b>526,909</b>	<b>555,099</b>	<b>230,768</b>	<b>3,636,964</b>
Less Expenses Included with Revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,768)</u>	<u>(230,768)</u>
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b><u>\$ 2,324,188</u></b>	<b><u>\$ 526,909</u></b>	<b><u>\$ 555,099</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,406,196</u></b>

The notes to the financial statements are an integral part of these statements.



**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**

**Cash Flows From Operating Activities**

Change in Net Assets	\$ (805,105)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
Depreciation	65,511
Net Unrealized and Realized Gain on Investments	351,335
(Increase) Decrease in:	
Contribution Receivables	(109,237)
Due From Affiliated Organization	89,827
Prepaid Expenses	17,347
Increase (Decrease) in:	
Accounts Payable	319,259
Accrued Expenses	<u>(68,394)</u>
Net Cash (Used) by Operating Activities	<u>(139,457)</u>

**Cash Flows From Financing Activities**

Purchase of Equipment	(27,764)
Payments on Notes Payable	(200,000)
Payments on Working Capital Notes	(100,000)
Proceeds from Working Capital Notes	<u>100,000</u>
Net Cash (Used) by Financing Activities	<u>(227,764)</u>

**Cash Flows From Investing Activities**

Decrease in Restricted Cash	56,257
Decrease in Short Term Investments	9,817
Decrease in Long Term Investments	<u>171,347</u>
Net Cash Provided by Investing Activities	<u>237,421</u>

**Decrease in Cash and Cash Equivalents**

Decrease in Cash and Cash Equivalents	(129,800)
Cash and Cash Equivalents, Beginning of Year	<u>456,838</u>
Cash and Cash Equivalents, End of Year	<u>\$ 327,038</u>

**Supplemental Cash Flows Information:**

Non-Cash Operating Activities	
In-Kind Contribution	<u>\$ 317,873</u>
Interest Paid	<u>\$ 142,126</u>

The notes to the financial statements are an integral part of these statements.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**Note 1. Summary of Significant Accounting Policies**

The Thoroughbred Retirement Foundation, Inc., “the Foundation”, is a non-profit organization established to save retired thoroughbred race horses, with a racing record, from being needlessly slaughtered after the completion of their racing careers. The Foundation provides rehabilitation and retraining, leading to the adoption of some horses for trail riding, competitive showing, and use in riding programs for the handicapped. Certain thoroughbreds are not suitable for adoption; the Foundation places these animals into prison vocational programs operated by the Foundation or boards them at cooperating satellite farms. The Foundation is governed by a Board of Directors and its committees with the operational management responsibility assumed by the Chief Executive Officer and staff. The Foundation is funded by public contributions and special events.

**A. Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities. The accrual basis of accounting recognizes revenues when they are earned, and in the case of grants, when the grant requirements have been met. Expenses are recognized when the liability is incurred. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board of Accounting Standards Codification (ASC). Under the ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**B. Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Foundation considers demand deposits and highly liquid investments with original maturities of three (3) months or less to be classified as cash and cash equivalents.

**C. Property and Equipment**

Property and equipment acquired by purchase is carried at cost. Donated property is stated at estimated fair value at the date of donation. The Foundation has a policy of capitalizing all expenditures for property, furniture, fixtures and equipment in excess of \$1,000. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and Vehicles	3-7 years
Office Furniture and Equipment	5-8 years
Buildings and Leasehold Improvements	10-39 years

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

**D. Income Tax Status**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation's 2012, 2013 and 2014 income tax returns are open for examination.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance.

**E. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**F. In-Kind Donations**

In-kind donations, composed of salaries paid to prison officials charged with managing the Second Chances Program within the prisons, and expenses for foster farms for donated hay, feed and other horse care expenses are recorded at their fair market value at the date of the gift. Donations for labor, supplies and essential services have been recorded. Non-essential voluntary services have not been included in in-kind donations. In-kind donations during the year ended December 31, 2015, consist of the following:

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

Blacksmith	\$ 904
Board	430
Employee Benefits	8,500
Feed, Hay and Straw	14,992
Insurance	242
Marketing	1,200
Medical Supplies	2,503
Repairs and Maintenance	7,056
Salaries - Prison Farm Managers	245,577
Special Events	3,921
Supplies	16,384
Transportation	683
Travel	2,620
Utilities	<u>12,861</u>
Total In-Kind Donations	<u>\$ 317,873</u>

As a non-profit organization, considerable volunteer hours of service have been donated; however, it is impractical to capture and value these in-kind donations. It is at least reasonably possible that additional in-kind donations were not captured by the various locations.

**G. Restricted and Unrestricted Revenue**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**H. Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

**I. Subsequent Events**

The Foundation evaluated events and transactions subsequent to the balance sheet date through September 6, 2016, which is the date the financial statements were available to be issued.

**J. Donated Assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

**K. Advertising**

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. For the year ended December 31, 2015, advertising costs totaled \$9,222.

**L. Tax-Deferred Annuity Plan**

During the year ended December 31, 2008, the Foundation entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Foundation. The Foundation does not contribute any portion of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish.

**Note 2. Investments**

The Foundation carries investments in marketable securities with readily determinable fair values, all investments in debt securities at their fair values, and all non-marketable debt securities at their fair market value or face value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income, gains and losses restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income, gains and losses are recognized. Investments at December 31, 2015, were comprised of the following:

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

	Carrying Value
Investments:	
Money Market Funds	\$ 1,636,802
Fixed Income Securities	1,080,269
Exchange Traded Funds	<u>5,452,625</u>
 Total Investments	 <u>\$ 8,169,696</u>

**Note 3. Fair Value Measurements**

Fair value of assets measured on a recurring basis at December 31, 2015, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 1,636,802	\$ 1,636,802
Fixed Income Securities	1,080,269	1,080,269
Exchange Traded Funds	<u>5,452,625</u>	<u>5,452,625</u>
 Total	 <u>\$ 8,169,696</u>	 <u>\$ 8,169,696</u>

FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Foundation, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

The fair value of investments is based on quoted net asset values of the shares held by the Foundation at year-end.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

**Note 4. Restrictions on Net Assets**

Temporarily restricted net assets consist of funds donated through the Pflieger Grant. Funds are released from the Pflieger Grant as expenses are approved and ready for payment. Permanently restricted net assets consist of funds donated through the Paul Mellon Endowment Fund. The restrictions on the Paul Mellon Endowment Fund were memorialized on January 19, 2001, by an agreement between the Executors of the Mellon Estate and Thoroughbred Retirement Foundation, Inc. The Foundation may expend annually an amount not exceeding five percent of the fair market value of the Paul Mellon Endowment Fund, as determined annually, solely for the care and maintenance of retired thoroughbred race horses. Permanently restricted net assets available at December 31, 2015, from the Paul Mellon Endowment Fund are \$7,000,000, the amount of the two (2) original contributions from the Executors of the Estate of Paul Mellon to the Endowment in 2001 (\$5,000,000 and \$2,000,000).

**Note 5. Paul Mellon Endowment**

The Board of Directors of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policy.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation has adopted investment and spending policies, approved by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while also maintaining the purchasing power of those endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6-8% per annum. Actual returns in any given year may vary from this amount. 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 an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Foundation is allowed under the terms of the Paul Mellon Endowment Fund to withdraw from the Endowment each year an amount up to 5% of the fair market value of the Endowment's assets at the end of each immediately preceding December 31<sup>st</sup>. The Foundation's current spending policy is to withdraw the full allowable 5% in January of each year. These withdrawn funds must be used for the care and maintenance of retired thoroughbred race horses, with a racing record.

Endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Net Endowment <u>Assets</u>
Donor-Restricted Endowment	<u>\$ 1,169,696</u>	<u>\$ 7,000,000</u>	<u>\$ 8,169,696</u>



**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

Changes in endowment net assets as of December 31, 2015, are as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Net Endowment <u>Assets</u>
Endowment Net Assets, Beginning of Year	\$ 1,692,379	\$ 7,000,000	\$ 8,692,379
Investment Income	313,777	-	313,777
Net Appreciation	(487,393)	-	(487,393)
5% Distribution	(434,619)	-	(434,619)
Contribution	100,000	-	100,000
Expenses	<u>(14,448)</u>	<u>-</u>	<u>(14,448)</u>
Endowment Net Assets, End of Year	<u>\$ 1,169,696</u>	<u>\$ 7,000,000</u>	<u>\$ 8,169,696</u>

**Note 6. Fixed Assets**

Buildings and Leasehold Improvements	\$ 1,102,641
Equipment and Vehicles	317,356
Office Furniture and Equipment	62,612
Less: Accumulated Depreciation	<u>(1,161,978)</u>
Total	<u>\$ 320,631</u>

Depreciation expense was \$65,511 for the year ended December 31, 2015.

**Note 7. Related Party Transactions**

During the year ended December 31, 2015, the Foundation made payments to the listed related parties.

*Satellite Farm Related Party Transactions*

The Foundation provides care for its horses at private farms where owners agree to care for the retired Thoroughbreds on a per diem basis through a formal Satellite Farm Agreement. One of the satellite farms is part owned by a former Director of the Foundation and is paid one of the lowest rates established by the Foundation.

Under the terms of a 2005 Satellite Farm Agreement between the Foundation and Cherokee Farms, LLP, Belton, South Carolina, the Foundation paid Cherokee Farms LLP \$26,755 for the year ended December 31, 2015.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

Cherokee Farms, LLP is the operating partnership for Cherokee Farms. The owners of Cherokee Farms are John S. Rainey, his brother, Robert M. Rainey, and his first cousin, Leila E. Stringer. John S. Rainey is the Managing General Partner of the LLP which is owned 29.791% by him, 29.791% by his brother and 40.418% by his first cousin.

*Other Related Party Transactions*

SolvIT, LLC, is a company 50% owned by the sister of the Foundation's Vice President and Director of External Affairs, Diana Pikulski and 50% owned by Barbara Hall, an unrelated party. SolvIT provides IT services and herd evaluation for the Foundation. During the year ended December 31, 2015, the Foundation paid \$28,391 to SolvIT.

On June 10, 2014, John S. Rainey, a former Director of the Foundation, ("Rainey" or "Secured Party") purchased a working capital note in the amount of \$100,000, the proceeds of which the Foundation used to pay for the care and maintenance of retired thoroughbred race horses, with a racing record.

The loan was placed at a discount from face amount of five percent, as a commitment fee, with quarterly installments of interest due at a rate of .75% per month or 9.0% per annum. This loan was paid off during the year, with payments of \$100,000, representing the principal amount of the working capital note; \$5,000, representing the commitment fee; and \$2,488, representing interest.

**Note 8. Lease Commitments**

The Foundation renewed its lease agreement for its farm located in Montpelier Station, Virginia. The lease term is for three years beginning on April 1, 2015. The amount of the lease payments for the Black Barn premises is \$36,000 per lease year. The amount of the lease payments for the Lower Sears Barn premises and the Office Space is \$12,000 for the first year, with a 3% per annum increase over the duration of the lease. Actual rental expense to the Foundation for the year ended December 31, 2015, was \$15,002.

The Foundation entered into a lease agreement with the State of Maryland, acting through the Maryland Department of Public Safety and Correctional Services to operate a Prison Farm specializing in the horse care and stable management specific to retired racing thoroughbreds. The term of the lease is for a period of five years, with (3) five year renewal options at the discretion of the State of Maryland.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

The Foundation is obligated under a lease agreement for two office spaces in a building, in Saratoga Springs, NY, with monthly rental payments of \$1,300 and \$475, respectively. The lease began on May 1, 2015, and April 15, 2015, and ends on April 30, 2018. Actual rental expense to the Foundation for the year ended December 31, 2015, was \$16,016.

**Note 9. Notes Payable**

The Foundation's obligations under notes payable consist of the following:

NBSC 4.0% note payable, due in one principal installment of \$150,000, and four principal installments of \$200,000, bi-annual installments of interest, through January 2019, secured by the annual Mellon Endowment income stream	<u>\$1,850,000</u>
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Working Capital Notes (the "Notes") in the aggregate amount of \$500,000, due in one principal installment, quarterly installments of interest thru August 2016, at .75 % quarterly or 9% per annum. The Notes were placed at a discount from face amount of five percent, as a commitment fee.	<u>\$ 500,000</u>
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The future scheduled maturities of long-term debt are as follows:

Years Ending	
<u>31-Dec</u>	
2016	\$ 700,000
2017	200,000
2018	200,000
2019	<u>1,050,000</u>
Total	<u>\$ 2,150,000</u>

**Note 10. Restricted Cash**

Restricted cash consisted of monies designated for specific chapters or projects.

Florida	\$ 215,000
National*	<u>12,723</u>
Total	<u>\$ 227,723</u>

\*- includes the Pfleger Grant.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**  
**(Continued)**

**Note 11. Subsequent Event**

The Foundation received a bequest from the Merck family in the amount of \$1,250,000 March 21, 2016. This money is not restricted can be used for the benefit of the retired racing horses.

SUPPLEMENTAL SCHEDULES

**THROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2015**

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>James River Project</u>	<u>Marion Florida</u>
<b>Revenue:</b>							
Unrestricted Revenue	\$ 1,872,621	\$ 16,804	\$ 760	\$ 93,993	\$ -	\$ 113,076	\$ 152,774
<b>Total Revenue</b>	<u>1,872,621</u>	<u>16,804</u>	<u>760</u>	<u>93,993</u>	<u>-</u>	<u>113,076</u>	<u>152,774</u>
<b>Program, Administrative and Fundraising Expenses:</b>							
Program Services	351,465	96,242	62,284	125,262	182,507	86,339	188,567
Management and General	500,631	-	-	-	-	-	-
Fundraising	<u>525,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,553</u>	<u>500</u>
<b>Total Program, Administrative and Fundraising Expenses</b>	<u>1,377,728</u>	<u>96,242</u>	<u>62,284</u>	<u>125,262</u>	<u>182,507</u>	<u>88,892</u>	<u>189,067</u>
<b>Excess (Deficiency) of Revenue over Expenses</b>	<u>\$ 494,893</u>	<u>\$ (79,438)</u>	<u>\$ (61,524)</u>	<u>\$ (31,269)</u>	<u>\$ (182,507)</u>	<u>\$ 24,184</u>	<u>\$ (36,293)</u>

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION**  
**For The Year Ended December 31, 2015**  
**(Continued)**

<u>Indiana</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>New England</u>	<u>Maryland</u>	<u>Totals</u>
\$ 8,306	\$ 509	\$ 186,459	\$ 102,735	\$ 14,420	\$ 112,000	\$ 2,674,457
<u>8,306</u>	<u>509</u>	<u>186,459</u>	<u>102,735</u>	<u>14,420</u>	<u>112,000</u>	<u>2,674,457</u>
83,674	729,799	215,499	105,112	20,942	125,704	2,373,396
-	-	-	-	-	-	500,631
<u>-</u>	<u>-</u>	<u>3,334</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>532,169</u>
<u>83,674</u>	<u>729,799</u>	<u>218,833</u>	<u>105,262</u>	<u>20,942</u>	<u>125,704</u>	<u>3,406,196</u>
<u>\$ (75,368)</u>	<u>\$ (729,290)</u>	<u>\$ (32,374)</u>	<u>\$ (2,527)</u>	<u>\$ (6,522)</u>	<u>\$ (13,704)</u>	<u>\$ (731,739)</u>

**THROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF PROGRAM SERVICES BY LOCATION**  
**For the Year Ended December 31, 2015**

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>James River Project</u>	<u>Marion Florida</u>
<b>Program Services:</b>							
Appeal and Book Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	106	-	39	-	-	25	-
Blacksmith	1,804	5,655	775	3,202	12,960	452	8,928
Board	200	-	-	-	100,845	-	-
Contract Labor	24,685	-	-	175	-	9,114	300
Depreciation	5,481	2,830	5,184	-	1,100	7,492	6,422
Dues	1,095	-	-	-	-	-	-
Employee Benefits	34,811	-	-	-	1,092	-	8,500
Equipment Rental	9	-	-	-	-	883	-
Feed, Hay and Straw	9,572	65,812	4,629	31,595	853	28,529	66,399
Insurance	26,263	-	-	-	-	-	-
Interest	51,587	950	199	358	53	2	-
Internet	1,021	-	-	-	-	711	132
Non-recurring Legal Fees	13,132	-	-	-	-	-	-
Medical Supplies	11,209	-	25	12,180	-	1,463	2,329
Office Supplies	4,411	60	-	42	-	631	2,165
Payroll Taxes	8,323	1,156	3,776	-	4,167	2,015	3,128
Postage and Freight	1,435	3	-	56	-	840	49
Printing and Publications	384	-	-	-	-	3,091	-
Rent	1,715	-	-	-	-	-	-
Repairs and Maintenance	1,574	1,928	101	1,975	1,663	1,489	5,413
Salaries and Wages	93,824	11,415	42,949	54,000	45,727	21,890	66,060
Supplies	10,032	869	106	3,776	227	3,752	9,690
Taxes and Licenses	-	-	-	-	-	335	-
Telephone	2,283	939	-	-	-	-	2,291
Transportation	11,075	-	-	1,233	74	-	250
Travel	33,288	18	27	164	2,664	831	2,899
Training	-	-	2,707	-	500	1,885	180
Utilities	544	-	-	1,008	-	-	2,400
Veterinary and Dental Fees	<u>1,602</u>	<u>4,607</u>	<u>1,767</u>	<u>15,498</u>	<u>10,582</u>	<u>909</u>	<u>1,032</u>
<b>Total</b>	<u>\$ 351,465</u>	<u>\$ 96,242</u>	<u>\$ 62,284</u>	<u>\$ 125,262</u>	<u>\$ 182,507</u>	<u>\$ 86,339</u>	<u>\$ 188,567</u>



**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF PROGRAM SERVICES BY LOCATION**  
**For The Year Ended December 31, 2015**  
**(Continued)**

<u>Indiana</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>New England</u>	<u>Maryland</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	565	-	-	-	735
3,500	29,535	9,924	600	1,100	-	78,435
-	625,804	-	-	-	-	726,849
-	-	476	-	-	-	34,750
-	-	18,047	11,724	514	6,717	65,511
-	-	-	-	-	-	1,095
-	-	2,184	-	-	-	46,587
-	-	-	-	-	-	892
15,716	29,183	12,637	10,235	7,326	15,346	297,832
-	-	-	242	-	-	26,505
38	38	41	-	-	101	53,367
-	-	-	68	-	-	1,932
-	-	-	-	-	-	13,132
88	2,420	1,135	269	-	540	31,658
11	250	559	375	-	-	8,504
-	-	10,517	-	-	-	33,082
-	-	49	158	-	-	2,590
-	-	-	126	-	-	3,601
-	6,000	4,751	-	-	-	12,466
6,000	-	11,382	6,928	-	-	38,453
55,473	-	116,512	58,281	11,311	89,279	666,721
13	1,420	12,758	2,742	160	4,020	49,565
193	-	464	89	-	-	1,081
-	-	1,200	417	-	-	7,130
-	40	-	200	-	-	12,872
-	-	63	337	-	1,266	41,557
1,798	158	-	3,301	-	-	10,529
-	-	2,062	6,185	-	4,276	16,475
<u>844</u>	<u>34,951</u>	<u>10,173</u>	<u>2,835</u>	<u>531</u>	<u>4,159</u>	<u>89,490</u>
<u>\$ 83,674</u>	<u>\$ 729,799</u>	<u>\$ 215,499</u>	<u>\$ 105,112</u>	<u>\$ 20,942</u>	<u>\$ 125,704</u>	<u>\$ 2,373,396</u>

**THROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2015**

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>James River Project</u>	<u>Marion Florida</u>
<b>General and Administrative:</b>							
Accounting Fees	\$ 62,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	9,520	-	-	-	-	-	-
Contract Labor	26,278	-	-	-	-	-	-
Dues	798	-	-	-	-	-	-
Employee Benefits	5,033	-	-	-	-	-	-
Equipment Rental	26,503	-	-	-	-	-	-
Insurance	29,591	-	-	-	-	-	-
Interest	88,220	-	-	-	-	-	-
Internet	1,728	-	-	-	-	-	-
Non-recurring Legal Fees	29,329	-	-	-	-	-	-
Office Supplies	19,864	-	-	-	-	-	-
Payroll Taxes	15,748	-	-	-	-	-	-
Postage and Freight	3,999	-	-	-	-	-	-
Printing and Publications	299	-	-	-	-	-	-
Rent	7,440	-	-	-	-	-	-
Repairs and Maintenance	2,008	-	-	-	-	-	-
Salaries and Wages	158,799	-	-	-	-	-	-
Supplies	1,668	-	-	-	-	-	-
Taxes and Licenses	975	-	-	-	-	-	-
Telephone	4,088	-	-	-	-	-	-
Travel	2,866	-	-	-	-	-	-
Training	2,560	-	-	-	-	-	-
Utilities	950	-	-	-	-	-	-
<b>Total</b>	<u>\$ 500,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION**  
**For The Year Ended December 31, 2015**  
**(Continued)**

<u>Indiana</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>New England</u>	<u>Maryland</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,367
-	-	-	-	-	-	9,520
-	-	-	-	-	-	26,278
-	-	-	-	-	-	798
-	-	-	-	-	-	5,033
-	-	-	-	-	-	26,503
-	-	-	-	-	-	29,591
-	-	-	-	-	-	88,220
-	-	-	-	-	-	1,728
-	-	-	-	-	-	29,329
-	-	-	-	-	-	19,864
-	-	-	-	-	-	15,748
-	-	-	-	-	-	3,999
-	-	-	-	-	-	299
-	-	-	-	-	-	7,440
-	-	-	-	-	-	2,008
-	-	-	-	-	-	158,799
-	-	-	-	-	-	1,668
-	-	-	-	-	-	975
-	-	-	-	-	-	4,088
-	-	-	-	-	-	2,866
-	-	-	-	-	-	2,560
-	-	-	-	-	-	950
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,631</u>

**THROUGHbred RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2015**

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>James River Project</u>	<u>Marion Florida</u>
<b>Fundraising:</b>							
Advertising	\$ 9,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	49	-	-	-	-	-	-
Contract Labor	22,930	-	-	-	-	-	-
Dues	24	-	-	-	-	-	-
Employee Benefits	28,710	-	-	-	-	-	-
Equipment Rental	3,337	-	-	-	-	-	-
Insurance	1,003	-	-	-	-	-	-
Interest	539	-	-	-	-	-	-
Internet	1,021	-	-	-	-	-	-
Office Supplies	1,303	-	-	-	-	-	-
Payroll Taxes	30,311	-	-	-	-	-	-
Postage and Freight	15,367	-	-	-	-	-	-
Printing and Publications	51,568	-	-	-	-	-	-
Promotional	22,091	-	-	-	-	2,553	500
Rent	9,429	-	-	-	-	-	-
Salaries and Wages	306,551	-	-	-	-	-	-
Supplies	442	-	-	-	-	-	-
Taxes and Licenses	125	-	-	-	-	-	-
Telephone	8,038	-	-	-	-	-	-
Travel	12,854	-	-	-	-	-	-
Utilities	718	-	-	-	-	-	-
<b>Total</b>	<u>\$ 525,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,553</u>	<u>\$ 500</u>

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2015**  
**(Continued)**

<u>Indiana</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>New England</u>	<u>Maryland</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,222
-	-	-	-	-	-	49
-	-	-	-	-	-	22,930
-	-	-	-	-	-	24
-	-	-	-	-	-	28,710
-	-	-	-	-	-	3,337
-	-	-	-	-	-	1,003
-	-	-	-	-	-	539
-	-	-	-	-	-	1,021
-	-	-	-	-	-	1,303
-	-	-	-	-	-	30,311
-	-	-	-	-	-	15,367
-	-	-	-	-	-	51,568
-	-	3,334	150	-	-	28,628
-	-	-	-	-	-	9,429
-	-	-	-	-	-	306,551
-	-	-	-	-	-	442
-	-	-	-	-	-	125
-	-	-	-	-	-	8,038
-	-	-	-	-	-	12,854
-	-	-	-	-	-	718
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,334</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,169</u>