

**THOROUGHBRED RETIREMENT
FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018**

THOROUGHBRED RETIREMENT FOUNDATION, INC.
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THOROUGHBRED RETIREMENT FOUNDATION, INC.

Board of Directors

2018

Patrick Mackay, Chairman and President

Robert Masiello, Treasurer

Carl Domino, Secretary

Lenny Hale

Richard Migliore

Suzie O’Cain

Leslie Priggen

Erin Birkenhauer

Larry Holmes

Maggie Wolfendale

Stephanie Nixon

Donald Place

Paul Saylor

Shon McLain

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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April 11, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thoroughbred Retirement Foundation, Inc.
Saratoga Springs, 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, 2018, 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, 2018, 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.

Report on Supplementary Information

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
Camden, South Carolina

THOROUGHBRED RETIREMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash and Cash Equivalents	\$	525,307
Restricted Cash		317,156
Contribution Receivables		57,240
Prepaid Expenses		12,726
Due from Affiliate Organization		22,023
Short-Term Investments		1,364
Long-Term Investments		8,344,028
Fixed Assets, Net of Depreciation		<u>278,154</u>
Total Assets	\$	<u>9,557,998</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$	397,784
Note Payable - NBSC		<u>1,050,000</u>
Total Liabilities		<u>1,447,784</u>
Net Assets		
Without Donor Restrictions		(560,288)
With Donor Restrictions		<u>8,670,502</u>
Total Net Assets		<u>8,110,214</u>
Total Liabilities and Net Assets	\$	<u>9,557,998</u>

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, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,348,262	\$ 375,518	\$ 1,723,780
In-Kind Contributions	49,984	-	49,984
Grants	258,668	-	258,668
Miscellaneous Income	1,003	-	1,003
Special Events			
Revenues	118,913	-	118,913
Less: Expenses	(53,166)	-	(53,166)
Investment Return, Net	1,824	237,160	238,984
Net Realized and Unrealized Gain (Loss) on Long-Term Investments	(4,084)	(627,941)	(632,025)
Net Assets Released from Restrictions			
Appropriation from Donor Endowment	460,606	(460,606)	-
Expiration of Time Restriction	<u>216,333</u>	<u>(216,333)</u>	<u>-</u>
 Total Support and Revenue	 <u>2,398,343</u>	 <u>(692,202)</u>	 <u>1,706,141</u>
Expenses			
Program Services	1,917,049	-	1,917,049
Supporting Services:			
General and Administrative	398,384	-	398,384
Fundraising	<u>389,104</u>	<u>-</u>	<u>389,104</u>
 Total Expenses	 <u>2,704,537</u>	 <u>-</u>	 <u>2,704,537</u>
 Change In Net Assets	 (306,194)	 (692,202)	 (998,396)
Net Assets, Beginning of Year	<u>(254,094)</u>	<u>9,362,704</u>	<u>9,108,610</u>
Net Assets, End of Year	<u>\$ (560,288)</u>	<u>\$ 8,670,502</u>	<u>\$ 8,110,214</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, 2018

	Program Services	General and Administrative	Fundraising	Direct Benefit to Donors	Total
Accounting	4,643	66,760	\$ -	\$ -	\$ 71,403
Advertising	20,882	-	51,786	-	72,668
Appeal and Book	-	-	6,665	-	6,665
Bank Charges	741	7,269	276	-	8,286
Blacksmith	69,059	-	-	-	69,059
Board	577,546	-	-	-	577,546
Contract Labor	4,553	16,080	14,000	-	34,633
Depreciation	37,096	-	-	-	37,096
Dues	(633)	7,235	-	-	6,602
Employee Benefits	32,377	10,492	15,280	-	58,149
Equipment Rental	1,113	2,907	2,158	-	6,178
Feed, Hay and Straw	297,083	-	-	-	297,083
Insurance	40,065	20,871	-	-	60,936
Interest	658	53,440	247	-	54,345
Internet	700	2,148	300	-	3,148
Non-recurring Legal Fees	2,822	29,493	-	-	32,315
Medical Supplies	23,279	-	-	-	23,279
Miscellaneous Expense	2,500	251	-	-	2,751
Office Supplies	5,118	14,199	8,204	-	27,521
Payroll Taxes	33,963	10,543	16,603	-	61,109
Postage and Freight	1,934	2,544	23,959	-	28,437
Printing and Publications	4,350	522	53,241	-	58,113
Promotional	2,126	-	8,457	53,166	63,749
Rent	20,633	12,003	18,817	-	51,453
Repairs and Maintenance	54,345	389	-	-	54,734
Salaries and Wages	472,022	114,995	156,016	-	743,033
Supplies	21,643	489	-	-	22,132
Taxes and Licenses	841	14,885	-	-	15,726
Telephone	4,540	3,128	2,412	-	10,080
Transportation	27,671	-	-	-	27,671
Travel	24,734	4,853	9,885	-	39,472
Training	14,702	-	-	-	14,702
Utilities	294	2,888	798	-	3,980
Veterinary and Dental Fees	113,649	-	-	-	113,649
Total Expenses	1,917,049	398,384	389,104	53,166	2,757,703
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	(53,166)	(53,166)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 1,917,049	\$ 398,384	\$ 389,104	\$ -	\$ 2,704,537

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, 2018

Cash Flows From Operating Activities	
Change in Net Assets	\$ (998,396)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
Depreciation	37,096
Net Unrealized and Realized Gain on Investments	632,025
 (Increase) Decrease in:	
Contribution Receivables	5,676
Due From Affiliated Organization	33,126
Prepaid Expenses	(6,538)
Increase (Decrease) in:	
Accounts Payable	(5,327)
Accrued Expenses	<u>12,392</u>
 Net Cash (Used) by Operating Activities	<u>(289,946)</u>
 Cash Flows From Financing Activities	
Payments on Notes Payable	<u>(200,000)</u>
 Net Cash (Used) by Financing Activities	<u>(200,000)</u>
 Cash Flows From Investing Activities	
Purchase of Equipment	(37,883)
Decrease in Restricted Cash	206,548
Decrease in Short Term Investments	31,874
Decrease in Long Term Investments	<u>386,650</u>
 Net Cash Provided by Investing Activities	<u>587,189</u>
 Increase in Cash and Cash Equivalents	97,243
 Cash and Cash Equivalents, Beginning of Year	<u>428,064</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 525,307</u>
 Supplemental Cash Flows Information:	
Non-Cash Operating Activities	
In-Kind Contribution	<u>\$ 49,984</u>
Interest Paid	<u>\$ 54,345</u>

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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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. The financial statements are prepared in accordance with Financial Accounting Standards Board (“FASB”) ASC 958-225-45-1. Under the ASC, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

B. Cash and Cash Equivalents

For purposes of the Statement 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, 2018
(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 2015, 2016, and 2017 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, 2018, consist of the following:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
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Advertising	\$ 29,880
Contract Labor	250
Feed, Hay and Straw	10,390
Medical Supplies	1,260
Supplies	4,118
Special Events	2,273
Veterinary	<u>1,813</u>
Total In-Kind Donations	<u>\$ 49,984</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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

H. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied.

I. Subsequent Events

The Foundation evaluated events and transactions subsequent to the balance sheet date through April 11, 2019, 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.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(Continued)

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, 2018, advertising costs totaled \$72,668.

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.

M. Change in Accounting Principle

The Foundation has adopted a change in accounting principle in accordance with FASB ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, effective January 1, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information on liquidity, methods to allocate costs among program and support functions, and underwater donor restricted endowment.

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, 2018, were comprised of the following:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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(Continued)

	Carrying Value
Investments:	
Money Market Funds	\$ 1,917,497
Fixed Income Securities	1,126,684
Exchange Traded Funds	<u>5,301,211</u>
 Total Investments	 <u><u>\$ 8,345,392</u></u>

Note 3. Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2018, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 1,917,497	\$ 1,917,497
Fixed Income Securities	1,126,684	1,126,684
Exchange Traded Funds	<u>5,301,211</u>	<u>5,301,211</u>
 Total	 <u><u>\$ 8,345,392</u></u>	 <u><u>\$ 8,345,392</u></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, 2018
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Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of a variety of funds donated for a specific purpose. Funds are released from restrictions as expenses are approved and ready for payment. The composition of net assets with donor restrictions consist of the following:

Donor restricted for Montpelier Rent	\$ 78,900
Donor restricted for Second Chances Program	76,264
Donor restricted for Pflieger Account	36,824
Donor restricted for Farrier Fund	39,890
Donor restricted for MD Capital Improvements	6,500
Donor restricted for Santulli Wallkill Feed	12,684
Donor restricted for Illinois Grant	2,367
Donor restricted for BB Sheds Fund	8,000
Donor restricted for Sophies Fund	50,415
Donor restricted for Giving Tuesday Sheds	9,000
Donor restricted for Blackburn	5,630
Donor-Restricted Endowment Funds:	
Original Donor-Restricted Gift Amount And Amounts Required to be Retained By Donor	7,000,000
Portion Subject to Appropriation Under NYPMIFA	<u>1,344,028</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,670,502</u>

Note 5. Paul Mellon Endowment

The Foundation's endowment fund was established on January 19, 2001, to support the care and maintenance of retired thoroughbred horses, with a racing record. Contributions to the endowment fund are subject to donor restrictions that stipulate the original gift amount is to be held and invested by the Foundation indefinitely, and income from the fund is expected to be expended for the care and maintenance of retired thoroughbred horses, with a racing record. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Foundation has interpreted NYPMIFA as requiring the

THOROUGHbred RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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(Continued)

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 would consider the fund to be underwater if the fair value of the fund is less than the sum of (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 Foundation has interpreted NYPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The Foundation's endowment fund is not currently underwater.

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.

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.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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 31st. 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, 2018, is as follows:

	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds:	
Original Donor-Restricted Gift Amount And Amounts Required to be Retained By Donor	\$ 7,000,000
Portion Subject to Appropriation Under NYPMIFA	<u>1,344,028</u>
Total Funds	<u>\$ 8,344,028</u>

Changes in endowment net assets as of December 31, 2018, are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 9,362,704
Investment Return, Net	(408,070)
Appropriation of Endowment Assets For Expenditure	<u>(610,606)</u>
Endowment Net Assets, End of Year	<u>\$ 8,344,028</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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(Continued)

Note 6. Fixed Assets

Buildings and Leasehold Improvements	\$ 1,138,035
Equipment and Vehicles	349,181
Office Furniture and Equipment	21,260
Less: Accumulated Depreciation	<u>(1,230,322)</u>
Total	<u>\$ 278,154</u>

Depreciation expense was \$37,096 for the year ended December 31, 2018.

Note 7. Related Party Transactions

During the year ended December 31, 2018, the Foundation made payments to the listed related party.

Other Related Party Transactions

Shon McLain, a board member, is the founder and president of Saratoga Strategic Partners (a financial investment advisor firm) that is responsible for overseeing the Foundation' retirement plan.

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 September 1, 2018. The amount of the lease payments for the Black Barn premises, Lower Sears Barn premises, and the Office Space is \$1,800 per month for the first year, with a 11.11% per annum increase over the duration of the lease. Actual rental expense to the Foundation for the year ended December 31, 2018, was \$19,383.

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.

The Foundation is obligated under a lease agreement for two office spaces in a building, in Saratoga Springs, NY, with monthly rental payments of \$1,380 and \$475, respectively. The lease began on May 1, 2015, and April 15, 2015, and ended on April 30, 2018. The remaining of the 2018 year, agreement was month to month and the monthly rent amount increased to \$1,855 per month. Actual

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(Continued)

rental expense to the Foundation for the year ended December 31, 2018, was \$23,153.

The Foundation entered into a lease agreement with the State of Illinois, acting through the Illinois Department of Corrections 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 Illinois.

The Foundation entered into a lease agreement with the Nash Family Partnership for its farm located in Prospect, Kentucky. The lease term is for one years beginning on November 15, 2018. The amount of the lease payment will be a fixed \$10,000 for the property, payable in two installments, with the first payment of \$1,250 due and payable on November 15, 2018, and the second installment of \$8,750 due and payable on January 1, 2019. Actual rental expense to the Foundation for the year ended December 31, 2018, was \$1,250.

Note 9. Notes Payable

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

Synovus 5.25% note payable, due in four principal installments of \$209,600, and one principal installment of \$211,600, bi-annual installments of interest, through December 2023, secured by the annual Mellon Endowment income stream	<u>\$1,050,000</u>
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The future scheduled maturities of long-term debt are as follows:

Years Ending	
<u>31-Dec</u>	
2019	\$ 209,600
2020	209,600
2021	209,600
2022	209,600
2023	<u>211,600</u>
Total	<u>\$ 1,050,000</u>

Note 10. Subsequent Events

As of the April 11, 2019, the Endowment value has increase by \$232,062 from \$8,344,028 as of December 31, 2018, to \$8,576,090.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(Continued)

Note 11. Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. As of December 31, 2018, \$142,918 of the Foundation's bank balance of \$866,755, which has a carrying value of \$840,514, was exposed to custodial credit risk since it was not insured and not covered by FDIC limit of \$250,000.

Note 12. Liquidity and Availability of Financial Assets

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing care and maintenance of retired thoroughbred horses, with a racing record, to be general expenditures. The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include the payment of \$417,000 that will be appropriated from the endowment fund in the first quarter of the year, and \$406,959 that will be released from donor-restricted contributions appropriated throughout the year.

Financial assets at year-end	\$ 9,267,118
Less those unavalable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	8,344,028
Donor-restricted to care and maintenance of retired thoroughbred horses, with a racing record	<u>142,077</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 781,013</u></u>

SUPPLEMENTAL SCHEDULES

THROUGHbred RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For the Year Ended December 31, 2018

	<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>
Revenue:							
Unrestricted Revenue	\$ 1,562,262	\$ 12,394	\$ 5,927	\$ 37,125	\$ 5,950	\$ 100,219	\$ 157,776
Total Revenue	<u>1,562,262</u>	<u>12,394</u>	<u>5,927</u>	<u>37,125</u>	<u>5,950</u>	<u>100,219</u>	<u>157,776</u>
Program, Administrative and Fundraising Expenses:							
Program Services	270,776	117,034	81,499	76,137	218,422	102,572	144,258
Management and General	398,343	22	-	-	19	-	-
Fundraising	<u>352,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Program, Administrative and Fundraising Expenses	<u>1,021,925</u>	<u>117,056</u>	<u>81,499</u>	<u>76,137</u>	<u>218,441</u>	<u>102,572</u>	<u>144,258</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 540,337</u>	<u>\$ (104,662)</u>	<u>\$ (75,572)</u>	<u>\$ (39,012)</u>	<u>\$ (212,491)</u>	<u>\$ (2,353)</u>	<u>\$ 13,518</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For The Year Ended December 31, 2018
(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>
\$ 125	\$ 2,250	\$ 117,436	\$ 3,509	\$ 250	\$ 13,299	\$ 2,018,522
<u>125</u>	<u>2,250</u>	<u>117,436</u>	<u>3,509</u>	<u>250</u>	<u>13,299</u>	<u>2,018,522</u>
37,595	563,321	250,658	25,739	9,681	19,357	1,917,049
-	-	-	-	-	-	398,384
<u>-</u>	<u>-</u>	<u>36,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,104</u>
<u>37,595</u>	<u>563,321</u>	<u>286,956</u>	<u>25,739</u>	<u>9,681</u>	<u>19,357</u>	<u>2,704,537</u>
<u>\$ (37,470)</u>	<u>\$ (561,071)</u>	<u>\$ (169,520)</u>	<u>\$ (22,230)</u>	<u>\$ (9,431)</u>	<u>\$ (6,058)</u>	<u>\$ (686,015)</u>

THROUGHbred RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2018

	<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>
Program Services:							
Accounting	\$ 4,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	-	-	-	135	19,653
Bank Charges	23	45	-	-	-	446	-
Blacksmith	-	5,200	3,190	8,950	6,030	2,715	10,469
Board	-	-	-	-	104,417	-	-
Contract Labor	(500)	-	-	-	-	2,677	-
Depreciation	1,136	1,891	6,038	-	1,200	9,701	484
Dues	(633)	-	-	-	-	-	-
Employee Benefits	11,255	-	-	-	6,379	-	-
Equipment Rental	(70)	-	-	-	-	845	-
Feed, Hay and Straw	10,790	78,842	9,270	38,717	6,442	30,416	59,043
Insurance	15,247	-	9,591	-	4,264	2,284	-
Interest	-	378	61	56	73	86	-
Internet	(236)	-	-	-	-	389	355
Non-recurring Legal Fees	2,822	-	-	-	-	-	-
Medical Supplies	5,826	103	700	9,410	1,519	261	1,623
Miscellaneous	2,500	-	-	-	-	-	-
Office Supplies	531	-	-	27	-	235	1,321
Payroll Taxes	11,069	193	3,459	-	5,695	2,813	2,132
Postage and Freight	551	2	-	21	-	801	89
Printing and Publications	30	-	-	-	-	3,507	-
Promotional	27	-	-	-	-	1,460	-
Rent	-	-	-	-	-	-	-
Repairs and Maintenance	954	2,909	1,091	2,147	191	866	12,186
Salaries and Wages	157,555	16,465	44,369	-	65,779	27,423	25,567
Supplies	4,701	1,249	306	2,379	798	1,405	4,305
Taxes and Licenses	345	-	-	-	101	-	-
Telephone	900	961	-	-	-	-	1,990
Transportation	26,853	-	-	-	-	-	-
Travel	15,270	-	38	290	2,519	1,760	436
Training	-	-	34	1,557	-	6,180	942
Utilities	(2,625)	414	-	1,260	-	-	-
Veterinary and Dental Fees	1,812	8,382	3,352	11,323	13,015	6,167	3,663
Total	<u>\$ 270,776</u>	<u>\$ 117,034</u>	<u>\$ 81,499</u>	<u>\$ 76,137</u>	<u>\$ 218,422</u>	<u>\$ 102,572</u>	<u>\$ 144,258</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2018
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,643
-	40	1,054	-	-	-	20,882
-	-	173	54	-	-	741
1,195	22,015	7,070	545	-	1,680	69,059
-	473,129	-	-	-	-	577,546
-	2,376	-	-	-	-	4,553
-	-	10,308	500	-	5,838	37,096
-	-	-	-	-	-	(633)
-	-	14,743	-	-	-	32,377
-	-	338	-	-	-	1,113
5,097	16,444	22,731	3,342	8,447	7,502	297,083
-	-	8,679	-	-	-	40,065
-	-	-	-	-	4	658
-	-	-	192	-	-	700
-	-	-	-	-	-	2,822
624	423	1,653	-	325	812	23,279
-	-	-	-	-	-	2,500
-	-	2,955	-	-	49	5,118
-	-	8,602	-	-	-	33,963
-	-	350	120	-	-	1,934
-	-	813	-	-	-	4,350
-	-	639	-	-	-	2,126
-	1,250	19,383	-	-	-	20,633
-	289	21,033	12,059	-	620	54,345
29,167	-	105,697	-	-	-	472,022
53	1,131	4,087	490	-	739	21,643
-	-	395	-	-	-	841
-	-	600	89	-	-	4,540
-	818	-	-	-	-	27,671
-	-	4,421	-	-	-	24,734
-	36	-	5,554	-	399	14,702
-	-	1,245	-	-	-	294
<u>1,459</u>	<u>45,370</u>	<u>13,689</u>	<u>2,794</u>	<u>909</u>	<u>1,714</u>	<u>113,649</u>
<u>\$ 37,595</u>	<u>\$ 563,321</u>	<u>\$ 250,658</u>	<u>\$ 25,739</u>	<u>\$ 9,681</u>	<u>\$ 19,357</u>	<u>\$ 1,917,049</u>

THROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2018

	<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>
General and Administrative:							
Accounting Fees	\$ 66,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	7,269	-	-	-	-	-	-
Contract Labor	16,080	-	-	-	-	-	-
Dues	7,235	-	-	-	-	-	-
Employee Benefits	10,492	-	-	-	-	-	-
Equipment Rental	2,907	-	-	-	-	-	-
Insurance	20,871	-	-	-	-	-	-
Interest	53,399	22	-	-	19	-	-
Internet	2,148	-	-	-	-	-	-
Non-recurring Legal Fees	29,493	-	-	-	-	-	-
Miscellaneous Expense	251	-	-	-	-	-	-
Office Supplies	14,199	-	-	-	-	-	-
Payroll Taxes	10,543	-	-	-	-	-	-
Postage and Freight	2,544	-	-	-	-	-	-
Printing and Publications	522	-	-	-	-	-	-
Rent	12,003	-	-	-	-	-	-
Repairs and Maintenance	389	-	-	-	-	-	-
Salaries and Wages	114,995	-	-	-	-	-	-
Supplies	489	-	-	-	-	-	-
Taxes and Licenses	14,885	-	-	-	-	-	-
Telephone	3,128	-	-	-	-	-	-
Travel	4,853	-	-	-	-	-	-
Utilities	2,888	-	-	-	-	-	-
Total	<u>\$ 398,343</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2018
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,760
-	-	-	-	-	-	7,269
-	-	-	-	-	-	16,080
-	-	-	-	-	-	7,235
-	-	-	-	-	-	10,492
-	-	-	-	-	-	2,907
-	-	-	-	-	-	20,871
-	-	-	-	-	-	53,440
-	-	-	-	-	-	2,148
-	-	-	-	-	-	29,493
-	-	-	-	-	-	251
-	-	-	-	-	-	14,199
-	-	-	-	-	-	10,543
-	-	-	-	-	-	2,544
-	-	-	-	-	-	522
-	-	-	-	-	-	12,003
-	-	-	-	-	-	389
-	-	-	-	-	-	114,995
-	-	-	-	-	-	489
-	-	-	-	-	-	14,885
-	-	-	-	-	-	3,128
-	-	-	-	-	-	4,853
-	-	-	-	-	-	<u>2,888</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,384</u>

THROUGHbred RETIREMENT FOUNDATION, INC.
SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION
For the Year Ended December 31, 2018

	<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>
Fundraising:							
Advertising	\$ 51,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appeal and Book	6,665	-	-	-	-	-	-
Bank Charges	276	-	-	-	-	-	-
Contract Labor	14,000	-	-	-	-	-	-
Employee Benefits	15,280	-	-	-	-	-	-
Equipment Rental	2,158	-	-	-	-	-	-
Interest	247	-	-	-	-	-	-
Internet	300	-	-	-	-	-	-
Office Supplies	8,204	-	-	-	-	-	-
Payroll Taxes	13,853	-	-	-	-	-	-
Postage and Freight	23,959	-	-	-	-	-	-
Printing and Publications	53,241	-	-	-	-	-	-
Promotional	8,457	-	-	-	-	-	-
Rent	18,817	-	-	-	-	-	-
Salaries and Wages	122,468	-	-	-	-	-	-
Telephone	2,412	-	-	-	-	-	-
Travel	9,885	-	-	-	-	-	-
Utilities	798	-	-	-	-	-	-
Total	<u>\$ 352,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION
For the Year Ended December 31, 2018
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,786
-	-	-	-	-	-	6,665
-	-	-	-	-	-	276
-	-	-	-	-	-	14,000
-	-	-	-	-	-	15,280
-	-	-	-	-	-	2,158
-	-	-	-	-	-	247
-	-	-	-	-	-	300
-	-	-	-	-	-	8,204
-	-	2,750	-	-	-	16,603
-	-	-	-	-	-	23,959
-	-	-	-	-	-	53,241
-	-	-	-	-	-	8,457
-	-	-	-	-	-	18,817
-	-	33,548	-	-	-	156,016
-	-	-	-	-	-	2,412
-	-	-	-	-	-	9,885
-	-	-	-	-	-	798
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,104</u>