

**THOROUGHBRED RETIREMENT
FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019**

THOROUGHbred RETIREMENT FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
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THOROUGHBRED RETIREMENT FOUNDATION, INC.

Board of Directors

2019

Patrick Mackay, Chairman and President
John P. Roche – Secretary – Non-Voting Director
Larry J. Holmes – Treasurer
Paul H. Saylor – Asst. Treasurer
Robert Masiello
Leonard C. Hale
Nicholas Mettinis, DVM
Suzie O’Cain
Leslie Priggen
Maggie Wolfendale

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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ANTHONY E. BOYKIN, CPA
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J. RICHARD PARKER, CPA
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SHANE E. KIRKLEY, CPA
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MARC A. QUIGLEY, CPA

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May 11, 2020

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, 2019, 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, 2019, 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, 2019

ASSETS

Cash and Cash Equivalents	\$ 148,390
Restricted Cash	256,293
Contribution Receivables	36,758
Prepaid Expenses	4,532
Due from Affiliate Organization	7,228
Long-Term Investments	9,436,272
Fixed Assets, Net of Depreciation	<u>187,925</u>
Total Assets	<u>\$ 10,077,398</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 329,093
Current Portion Note Payable - NBSC	<u>209,600</u>
Total Current Liabilities	538,693
Note Payable - NBSC, Less Current Portion	<u>630,800</u>
Total Liabilities	<u>1,169,493</u>
Net Assets (Deficit)	
Without Donor Restrictions	(784,660)
With Donor Restrictions	<u>9,692,565</u>
Total Net Assets	<u>8,907,905</u>
Total Liabilities and Net Assets	<u>\$ 10,077,398</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, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,343,956	\$ 142,432	\$ 1,486,388
In-Kind Contributions	122,138	-	122,138
Grants	190,722	37,093	227,815
Miscellaneous Income	171	-	171
Special Events			
Revenues	182,113	-	182,113
Less: Expenses	(39,281)	-	(39,281)
Investment Return, Net	1,052	196,672	197,724
Net Realized and Unrealized Gain on Long-Term Investments	497	1,312,885	1,313,382
Net Assets Released from Restrictions			
Appropriation from Donor Endowment	417,327	(417,327)	-
Expiration of Time Restriction	<u>249,692</u>	<u>(249,692)</u>	<u>-</u>
 Total Support and Revenue	 <u>2,468,387</u>	 <u>1,022,063</u>	 <u>3,490,450</u>
Expenses			
Program Services	1,769,746	-	1,769,746
Supporting Services:			
General and Administrative	348,580	-	348,580
Fundraising	<u>347,458</u>	<u>-</u>	<u>347,458</u>
 Total Expenses	 <u>2,465,784</u>	 <u>-</u>	 <u>2,465,784</u>
Non-operating Item			
Loss on Sale of Assets	<u>226,975</u>	<u>-</u>	<u>226,975</u>
 Total Expenses and Losses	 <u>2,692,759</u>	 <u>-</u>	 <u>2,692,759</u>
 Change In Net Assets	 <u>(224,372)</u>	 1,022,063	 797,691
Net Assets (Deficit), Beginning of Year	<u>(560,288)</u>	<u>8,670,502</u>	<u>8,110,214</u>
Net Assets (Deficit), End of Year	<u>\$ (784,660)</u>	<u>\$ 9,692,565</u>	<u>\$ 8,907,905</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, 2019

	Program	General and		Direct Benefit	
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>to Donors</u>	<u>Total</u>
Accounting	\$ 7,120	\$ 59,040	\$ -	\$ -	\$ 66,160
Advertising	50	-	22,954	-	23,004
Appeal and Book	-	-	5,980	-	5,980
Bank Charges	900	6,910	1,837	-	9,647
Blacksmith	68,489	-	-	-	68,489
Board	493,432	-	-	-	493,432
Contract Labor	30,548	15,475	17,166	-	63,189
Depreciation	32,423	-	-	-	32,423
Dues	820	6,309	660	-	7,789
Employee Benefits	42,660	17,444	14,481	-	74,585
Equipment Rental	1,419	4,109	2,249	-	7,777
Feed, Hay and Straw	308,300	-	-	-	308,300
Insurance	41,020	16,324	308	-	57,652
Interest	207	58,209	-	-	58,416
Internet	1,428	2,178	1,074	-	4,680
Non-recurring Legal Fees	-	20,548	-	-	20,548
Medical Supplies	30,442	-	-	-	30,442
Office Supplies	21,430	5,312	2,097	-	28,839
Payroll Taxes	37,480	7,348	16,521	-	61,349
Postage and Freight	2,480	2,340	13,530	-	18,350
Printing and Publications	1,112	308	29,797	-	31,217
Promotional	148	-	26,124	39,281	65,553
Rent	32,400	11,695	11,103	-	55,198
Repairs and Maintenance	28,290	2,752	-	-	31,042
Salaries and Wages	415,532	101,204	171,587	-	688,323
Supplies	35,596	-	-	-	35,596
Taxes and Licenses	634	4,239	-	-	4,873
Telephone	5,200	1,512	2,094	-	8,806
Transportation	2,375	-	-	-	2,375
Travel	19,346	1,815	7,749	-	28,910
Training	12,621	-	-	-	12,621
Utilities	2,233	3,509	147	-	5,889
Veterinary and Dental Fees	93,611	-	-	-	93,611
Total Expenses	1,769,746	348,580	347,458	39,281	2,505,065
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	(39,281)	(39,281)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,769,746</u>	<u>\$ 348,580</u>	<u>\$ 347,458</u>	<u>\$ -</u>	<u>\$ 2,465,784</u>

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, 2019

Cash Flows From Operating Activities	
Change in Net Assets	\$ 797,691
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
Depreciation	32,423
Net Unrealized and Realized Gain on Investments	(1,313,382)
Loss on Sale of Assets	124,318
(Increase) Decrease in:	
Contribution Receivables	20,480
Due From Affiliated Organization	14,795
Prepaid Expenses	8,194
Increase (Decrease) in:	
Accounts Payable	(62,766)
Accrued Expenses	<u>(5,925)</u>
Net Cash (Used) by Operating Activities	<u>(384,172)</u>
Cash Flows From Financing Activities	
Payments on Notes Payable	<u>(209,600)</u>
Net Cash (Used) by Financing Activities	<u>(209,600)</u>
Cash Flows From Investing Activities	
Purchase of Equipment	(66,510)
Decrease in Restricted Cash	60,863
Decrease in Short Term Investments	1,364
Decrease in Long Term Investments	<u>221,138</u>
Net Cash Provided by Investing Activities	<u>216,855</u>
Decrease in Cash and Cash Equivalents	(376,917)
Cash and Cash Equivalents, Beginning of Year	<u>525,307</u>
Cash and Cash Equivalents, End of Year	<u>\$ 148,390</u>
Supplemental Cash Flows Information:	
Non-Cash Operating Activities	
In-Kind Contribution	<u>\$ 122,138</u>
Interest Paid	<u>\$ 58,416</u>

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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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, 2019
(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 2017, 2018, and 2019 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, 2019, consist of the following:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
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Advertising	\$ 10,442
Boarding	4,950
Contract Labor	3,292
Equipment	15,180
Feed, Hay and Straw	33,406
Medical Supplies	15,485
Supplies	14,887
Special Events	20,439
Travel	1,648
Veterinary	<u>2,409</u>
Total In-Kind Donations	<u>\$ 122,138</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 May 11, 2020, which is the date the financial statements were available to be issued.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

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, 2019, advertising costs totaled \$12,562.

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. 2018-18, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, effective January 1, 2019. The amendments in this update aim to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

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, 2019, were comprised of the following:

THOROUGHbred RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
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	Carrying Value
Investments:	
Money Market Funds	\$ 1,454,658
Fixed Income Securities	1,814,616
Exchange Traded Funds	<u>6,166,998</u>
Total Investments	<u>\$ 9,436,272</u>

Note 3. Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2019, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 1,454,658	\$ 1,454,658
Fixed Income Securities	1,814,616	1,814,616
Exchange Traded Funds	<u>6,166,998</u>	<u>6,166,998</u>
Total	<u>\$ 9,436,272</u>	<u>\$ 9,436,272</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, 2019
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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 Second Chances Program	\$ 76,768
Donor restricted for Pflieger Account	10,836
Donor restricted for Farrier Fund	19,134
Donor restricted for MD Capital Improvements	2,388
Donor restricted for Santulli Walkkill Feed	32,910
Donor restricted for Horse Care - TAA	37,093
Donor restricted for Sophies Fund	69,168
Donor restricted for Blackburn	7,996
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>2,436,272</u>
Total Net Assets with Donor Restrictions	<u>\$ 9,692,565</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 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

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

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.

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, 2019, is as follows:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
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	<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>2,436,272</u>
Total Funds	<u>\$ 9,436,272</u>

Changes in endowment net assets as of December 31, 2019, are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 8,344,028
Investment Return, Net	1,509,556
Appropriation of Endowment Assets For Expenditure	<u>(417,312)</u>
Endowment Net Assets, End of Year	<u>\$ 9,436,272</u>

Note 6. Fixed Assets

Buildings and Leasehold Improvements	\$ 763,886
Equipment and Vehicles	193,527
Office Furniture and Equipment	13,117
Less: Accumulated Depreciation	<u>(782,605)</u>
Total	<u>\$ 187,925</u>

Depreciation expense was \$32,423 for the year ended December 31, 2019.

Note 7. 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, 2019, was \$22,400.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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.

On February 1, 2019, The Foundation is renewed their lease agreement to lease two office spaces in a building, in Saratoga Springs, NY. However, this lease agreement was amended November 2019 to lease only one of the original office spaces, with the following monthly rental payments:

	<u>Monthly Rate</u>
02/01/19-11/30/19	\$ 1,892
12/01/19-01/31/20	\$ 1,467
02/01/20-01/31/21	\$ 1,505
02/02/21-01/31/22	\$ 1,543

Actual rental expense to the Foundation for the year ended December 31, 2019 was \$22,205.

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 renewed its lease agreement with the Nash Family Partnership for its farm located in Prospect, Kentucky. The renewed lease term is for one year beginning on November 15, 2019. 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, 2019, and the second installment of \$8,750 due and payable on January 1, 2020. Actual rental expense to the Foundation for the year ended December 31, 2019, was \$10,000.

Note 8. 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>\$ 840,400</u>
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THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

The future scheduled maturities of long-term debt are as follows:

Years Ending <u>December 31,</u>	
2020	\$ 209,600
2021	209,600
2022	209,600
2023	<u>211,600</u>
Total	<u>\$ 840,400</u>

Note 9. Subsequent Events

As of the April 30, 2020, the Endowment value had decreased by \$1,175,318 to \$8,260,953, which includes the allowed annual 5% transfer to operating cash of \$471,873 and a market value decrease of \$703,445.

The Company expects uncertainties resulting from the COVID-19 pandemic to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 14, 2020, Thoroughbred Retirement Foundation was granted a loan (the “Loan”) from Adirondack Trust Bank, in Saratoga Springs, NY, in the amount of \$171,400, pursuant to the Paycheck Protection Program (the “PPP”) established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.

Note 10. 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, 2019, \$163,800 of the

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Foundation's bank balance of \$436,156, which has a carrying value of \$404,684, was exposed to custodial credit risk since it was not insured and not covered by FDIC limit of \$250,000.

Note 11. 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 \$471,814 that will be appropriated from the endowment fund in the first quarter of the year, and \$256,293 that will be released from donor-restricted contributions appropriated throughout the year.

Financial assets at year-end	\$ 9,884,941
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	9,436,272
Donor-restricted to care and maintenance of retired thoroughbred horses, with a racing record	<u>256,293</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 192,376</u></u>

Note 12. Discontinued Operation

During the year ended December 31, 2019, the Foundation's Board of Directors authorized the discontinuation of its agreement to manage the Montpelier satellite farm and the James River Project satellite farm. All assets of both farms were transferred respectively to each farm, resulting in a loss on disposal of assets on the books of Thoroughbred Retirement Foundation for the year ended December 31, 2019. Montpelier and James River Project have each formed their own independent 501(c)(3) and will remain open as independent farms; and therefore, no longer be included as satellite farms or Second Chances Farms with respect to Thoroughbred Retirement Foundation.

SUPPLEMENTAL SCHEDULES

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For the Year Ended December 31, 2019

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>
Revenue:					
Unrestricted Revenue	\$ 1,571,168	\$ 19,214	\$ 749	\$ 31,993	\$ 6,380
Total Revenue	<u>1,571,168</u>	<u>19,214</u>	<u>749</u>	<u>31,993</u>	<u>6,380</u>
Program, Administrative and Fundraising Expenses:					
Program Services	311,939	134,108	77,146	61,498	245,057
Management and General	344,255	-	-	-	-
Fundraising	<u>331,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Program, Administrative and Fundraising Expenses	<u>987,591</u>	<u>134,108</u>	<u>77,146</u>	<u>61,498</u>	<u>245,057</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 583,577</u>	<u>\$ (114,894)</u>	<u>\$ (76,397)</u>	<u>\$ (29,505)</u>	<u>\$ (238,677)</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For The Year Ended December 31, 2019
(Continued)

<u>James River Project</u>	<u>Marion Florida</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>Maryland</u>	<u>Totals</u>
\$ 37,055	\$ 101,041	\$ 3,542	\$ 77,589	\$ 4,737	\$ 25,367	\$ 1,878,835
<u>37,055</u>	<u>101,041</u>	<u>3,542</u>	<u>77,589</u>	<u>4,737</u>	<u>25,367</u>	<u>1,878,835</u>
91,222	121,340	485,108	206,628	18,015	17,685	1,769,746
2,311	-	-	2,014	-	-	348,580
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,061</u>	<u>-</u>	<u>-</u>	<u>347,458</u>
<u>93,533</u>	<u>121,340</u>	<u>485,108</u>	<u>224,703</u>	<u>18,015</u>	<u>17,685</u>	<u>2,465,784</u>
<u>\$ (56,478)</u>	<u>\$ (20,299)</u>	<u>\$ (481,566)</u>	<u>\$ (147,114)</u>	<u>\$ (13,278)</u>	<u>\$ 7,682</u>	<u>\$ (586,949)</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2019

	Wallkill		Illinois	Blackburn		Eastham Farm	
	<u>National</u>	<u>New York</u>		<u>Kentucky</u>	<u>Virginia</u>		
Program Services:							
Accounting	\$ 7,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	-	-	-	-	-
Bank Charges	784	-	-	-	-	-	-
Blacksmith	-	4,650	4,585	880	-	10,410	-
Board	-	-	-	-	-	99,821	-
Contract Labor	3,292	11,856	-	-	-	-	-
Depreciation	1,136	2,368	6,600	1,205	-	1,780	-
Dues	351	-	-	-	-	-	-
Employee Benefits	19,426	-	-	-	-	8,217	-
Equipment Rental	-	-	-	-	-	-	-
Feed, Hay and Straw	38,663	82,074	13,299	38,589	-	15,009	-
Insurance	16,308	-	5,998	-	-	7,716	-
Interest	128	-	-	-	-	41	-
Internet	900	-	-	-	-	-	-
Medical Supplies	19,836	-	107	3,522	-	140	-
Office Supplies	2,013	275	-	109	-	-	-
Payroll Taxes	14,149	1,893	3,230	-	-	5,992	-
Postage and Freight	347	1	-	21	-	-	-
Printing and Publications	-	-	-	-	-	-	-
Promotional	148	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Repairs and Maintenance	770	3,863	470	1,033	-	1,229	-
Salaries and Wages	156,141	4,368	41,200	-	-	71,442	-
Supplies	15,111	5,030	270	1,675	-	619	-
Taxes and Licenses	90	-	-	-	-	229	-
Telephone	900	1,040	-	-	-	-	-
Transportation	1,928	-	-	157	-	-	-
Travel	9,906	-	132	119	-	2,453	-
Training	-	2,750	141	2,750	-	-	-
Utilities	-	88	-	1,092	-	-	-
Veterinary and Dental Fees	<u>2,492</u>	<u>13,852</u>	<u>1,114</u>	<u>10,346</u>	<u>-</u>	<u>19,959</u>	<u>-</u>
Total	<u>\$ 311,939</u>	<u>\$ 134,108</u>	<u>\$ 77,146</u>	<u>\$ 61,498</u>	<u>\$ -</u>	<u>\$ 245,057</u>	<u>\$ -</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2019
(Continued)

James River	Marion	Satellite		Wateree			
<u>Project</u>	<u>Florida</u>	<u>Farms</u>	<u>Montpelier</u>	<u>SC</u>	<u>Maryland</u>	<u>Totals</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,120	
50	-	-	-	-	-	50	
115	-	-	1	-	-	900	
980	11,955	26,374	6,585	350	1,720	68,489	
-	-	393,611	-	-	-	493,432	
1,519	6,250	3,450	4,181	-	-	30,548	
6,426	484	3,512	5,998	-	2,914	32,423	
-	-	-	469	-	-	820	
-	-	-	15,017	-	-	42,660	
1,178	-	-	241	-	-	1,419	
17,192	60,844	10,659	16,190	6,249	9,532	308,300	
2,174	-	-	8,824	-	-	41,020	
38	-	-	-	-	-	207	
325	203	-	-	-	-	1,428	
-	1,177	2,291	2,708	321	340	30,442	
17,778	58	427	697	-	73	21,430	
2,567	1,506	-	8,143	-	-	37,480	
89	77	-	1,791	134	20	2,480	
160	-	-	952	-	-	1,112	
-	-	-	-	-	-	148	
-	-	10,000	22,400	-	-	32,400	
2,741	6,408	3,378	3,911	4,137	350	28,290	
29,659	20,394	-	92,328	-	-	415,532	
842	5,562	2,110	2,334	700	1,343	35,596	
-	-	-	165	-	150	634	
-	2,905	-	-	355	-	5,200	
-	190	-	100	-	-	2,375	
143	873	-	5,720	-	-	19,346	
3,135	-	-	-	3,845	-	12,621	
-	-	-	1,053	-	-	2,233	
<u>4,111</u>	<u>2,454</u>	<u>29,296</u>	<u>6,820</u>	<u>1,924</u>	<u>1,243</u>	<u>93,611</u>	
<u>\$ 91,222</u>	<u>\$ 121,340</u>	<u>\$ 485,108</u>	<u>\$ 206,628</u>	<u>\$ 18,015</u>	<u>\$ 17,685</u>	<u>\$ 1,769,746</u>	

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2019

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>
General and Administrative:					
Accounting Fees	\$ 59,040	\$ -	\$ -	\$ -	\$ -
Bank Charges	6,910	-	-	-	-
Contract Labor	15,475	-	-	-	-
Dues	6,309	-	-	-	-
Employee Benefits	17,444	-	-	-	-
Equipment Rental	2,249	-	-	-	-
Insurance	16,324	-	-	-	-
Interest	58,209	-	-	-	-
Internet	2,178	-	-	-	-
Non-recurring Legal Fees	20,548	-	-	-	-
Office Supplies	5,287	-	-	-	-
Payroll Taxes	7,175	-	-	-	-
Postage and Freight	2,340	-	-	-	-
Printing and Publications	308	-	-	-	-
Rent	11,695	-	-	-	-
Repairs and Maintenance	2,752	-	-	-	-
Salaries and Wages	99,066	-	-	-	-
Taxes and Licenses	4,239	-	-	-	-
Telephone	1,512	-	-	-	-
Travel	1,815	-	-	-	-
Utilities	3,380	-	-	-	-
	<u>3,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 344,255</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, 2019
(Continued)

<u>James River</u>	<u>Marion</u>	<u>Satellite</u>	<u>Wateree</u>			<u>Totals</u>
<u>Project</u>	<u>Florida</u>	<u>Farms</u>	<u>Montpelier</u>	<u>SC</u>	<u>Maryland</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,040
-	-	-	-	-	-	6,910
-	-	-	-	-	-	15,475
-	-	-	-	-	-	6,309
-	-	-	-	-	-	17,444
-	-	-	1,860	-	-	4,109
-	-	-	-	-	-	16,324
-	-	-	-	-	-	58,209
-	-	-	-	-	-	2,178
-	-	-	-	-	-	20,548
-	-	-	25	-	-	5,312
173	-	-	-	-	-	7,348
-	-	-	-	-	-	2,340
-	-	-	-	-	-	308
-	-	-	-	-	-	11,695
-	-	-	-	-	-	2,752
2,138	-	-	-	-	-	101,204
-	-	-	-	-	-	4,239
-	-	-	-	-	-	1,512
-	-	-	-	-	-	1,815
-	-	-	129	-	-	3,509
<u>\$ 2,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,580</u>

THOROUGHbred RETIREMENT FOUNDATION, INC.
SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION
For the Year Ended December 31, 2019

	<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>
Fundraising:						
Advertising	\$ 22,954	\$ -	\$ -	\$ -	\$ -	\$ -
Appeal and Book	5,980	-	-	-	-	-
Bank Charges	1,837	-	-	-	-	-
Contract Labor	17,166	-	-	-	-	-
Dues	660	-	-	-	-	-
Employee Benefits	14,481	-	-	-	-	-
Equipment Rental	2,249	-	-	-	-	-
Insurance	308	-	-	-	-	-
Internet	1,074	-	-	-	-	-
Office Supplies	2,097	-	-	-	-	-
Payroll Taxes	15,137	-	-	-	-	-
Postage and Freight	13,530	-	-	-	-	-
Printing and Publications	29,797	-	-	-	-	-
Promotional	26,124	-	-	-	-	-
Rent	11,103	-	-	-	-	-
Salaries and Wages	156,910	-	-	-	-	-
Telephone	2,094	-	-	-	-	-
Travel	7,749	-	-	-	-	-
Utilities	147	-	-	-	-	-
	<u>147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 331,397</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2019
(Continued)

<u>Marion</u>	<u>Satellite</u>	<u>Wateree</u>			<u>Totals</u>
<u>Florida</u>	<u>Farms</u>	<u>Montpelier</u>	<u>SC</u>	<u>Maryland</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,954
-	-	-	-	-	5,980
-	-	-	-	-	1,837
-	-	-	-	-	17,166
-	-	-	-	-	660
-	-	-	-	-	14,481
-	-	-	-	-	2,249
-	-	-	-	-	308
-	-	-	-	-	1,074
-	-	-	-	-	2,097
-	-	1,384	-	-	16,521
-	-	-	-	-	13,530
-	-	-	-	-	29,797
-	-	-	-	-	26,124
-	-	-	-	-	11,103
-	-	14,677	-	-	171,587
-	-	-	-	-	2,094
-	-	-	-	-	7,749
-	-	-	-	-	147
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,458</u>