

**THOROUGHBRED RETIREMENT
FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020**

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

Board of Directors

2020

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Larry J. Holmes, Treasurer
Paul H. Saylor, Asst. Treasurer
John P. Roche, Secretary, Non-Voting Director
Leonard C. Hale
Nicholas Mettinis, DVM
Suzie O’Cain
Maggie Wolfendale
Anita Motion
Sarah Stein
John B. Cannie, Esq.

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA (1963-2020)
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LARRY F. GODWIN, CPA
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April 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United

States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is 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, 2020

ASSETS

Cash and Cash Equivalents	\$ 291,689
Restricted Cash	224,976
Contribution Receivables	57,026
Grants Receivable	36,000
Prepaid Expenses	3,784
Short-Term Investments	19
Long-Term Investments	9,150,881
Fixed Assets, Net of Depreciation	<u>171,020</u>
Total Assets	<u>\$ 9,935,395</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	<u>\$ 193,938</u>
Total Current Liabilities	<u>193,938</u>
Total Liabilities	<u>193,938</u>
Net Assets	
Without Donor Restrictions	365,599
With Donor Restrictions	<u>9,375,858</u>
Total Net Assets	<u>9,741,457</u>
Total Liabilities and Net Assets	<u>\$ 9,935,395</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, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,196,128	\$ 142,835	\$ 1,338,963
In-Kind Contributions	49,455	-	49,455
Grants	319,629	6,500	326,129
Grant - Paycheck Protection Program Loan Forgiveness	171,400	-	171,400
Miscellaneous Income	50	-	50
Special Events			
Revenues	63,622	-	63,622
Less: Expenses	(15,944)	-	(15,944)
Investment Return, Net	546	236,227	236,773
Net Realized and Unrealized Gain			
on Long-Term Investments	568	601,920	602,488
Net Assets Released from Restrictions			
Appropriation from Donor Endowment	1,123,538	(1,123,538)	-
Expiration of Time Restriction	<u>180,651</u>	<u>(180,651)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,089,643</u>	 <u>(316,707)</u>	 <u>2,772,936</u>
Expenses			
Program Services	1,314,256	-	1,314,256
Supporting Services:			
General and Administrative	306,047	-	306,047
Fundraising	<u>319,081</u>	<u>-</u>	<u>319,081</u>
 Total Expenses	 <u>1,939,384</u>	 <u>-</u>	 <u>1,939,384</u>
 Change In Net Assets	 1,150,259	 (316,707)	 833,552
Net Assets (Deficit), Beginning of Year	<u>(784,660)</u>	<u>9,692,565</u>	<u>8,907,905</u>
Net Assets, End of Year	<u>\$ 365,599</u>	<u>\$ 9,375,858</u>	<u>\$ 9,741,457</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, 2020

	Program Services	General and Administrative	Fundraising	Direct Benefit to Donors	Total
Accounting	\$ -	\$ 21,151	\$ -	\$ -	\$ 21,151
Advertising	-	1,735	13,300	-	15,035
Appeal and Book	-	-	2,102	-	2,102
Bank Charges	88	11,525	4,934	-	16,547
Blacksmith	56,271	-	-	-	56,271
Board	460,970	-	-	-	460,970
Contract Labor	29,314	33,097	20,826	-	83,237
Depreciation	20,336	-	-	-	20,336
Dues	-	9,751	1,241	-	10,992
Employee Benefits	20,436	5,712	17,991	-	44,139
Equipment Rental	5,699	4,254	1,639	-	11,592
Feed, Hay and Straw	217,245	-	-	-	217,245
Insurance	23,357	5,742	-	-	29,099
Interest	916	45,585	270	-	46,771
Internet	331	1,170	591	-	2,092
Non-recurring Legal Fees	-	49,013	-	-	49,013
Medical Supplies	9,145	-	-	-	9,145
Miscellaneous Expense	533	-	-	-	533
Office Supplies	2,449	6,442	6,511	-	15,402
Payroll Taxes	25,387	7,373	13,710	-	46,470
Postage and Freight	814	4,602	8,179	-	13,595
Printing and Publications	-	320	25,255	-	25,575
Promotional	-	-	13,335	15,944	29,279
Rent	10,000	9,589	8,821	-	28,410
Repairs and Maintenance	32,576	-	-	-	32,576
Salaries and Wages	278,719	78,914	174,787	-	532,420
Supplies	28,643	1,898	1,008	-	31,549
Taxes and Licenses	152	2,180	-	-	2,332
Telephone	4,277	3,768	833	-	8,878
Transportation	4,710	-	-	-	4,710
Travel	6,069	416	3,748	-	10,233
Training	4,000	-	-	-	4,000
Utilities	1,092	1,810	-	-	2,902
Veterinary and Dental Fees	<u>70,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,727</u>
 Total Expenses	 1,314,256	 306,047	 319,081	 15,944	 1,955,328
 Less Expenses Included with Revenues on the Statement of Activities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(15,944)</u>	 <u>(15,944)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 1,314,256</u>	 <u>\$ 306,047</u>	 <u>\$ 319,081</u>	 <u>\$ -</u>	 <u>\$ 1,939,384</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, 2020

Cash Flows From Operating Activities	
Change in Net Assets	\$ 833,552
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	20,336
Net Unrealized and Realized Gain on Investments	(602,488)
(Increase) Decrease in:	
Contribution Receivables	(20,268)
Grant Receivables	(36,000)
Due From Affiliated Organization	7,228
Prepaid Expenses	748
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>(135,155)</u>
Net Cash Provided by Operating Activities	<u>67,953</u>
Cash Flows From Financing Activities	
Payments on Notes Payable	<u>(840,400)</u>
Net Cash (Used) by Financing Activities	<u>(840,400)</u>
Cash Flows From Investing Activities	
Purchase of Equipment	(3,431)
Decrease in Restricted Cash	31,317
Increase in Short Term Investments	(19)
Decrease in Long Term Investments	<u>887,879</u>
Net Cash Provided by Investing Activities	<u>915,746</u>
Increase in Cash and Cash Equivalents	143,299
Cash and Cash Equivalents, Beginning of Year	<u>148,390</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 291,689</u></u>
Supplemental Cash Flows Information:	
Non-Cash Operating Activities	
In-Kind Contribution	<u>\$ 49,455</u>
Interest Paid	<u>\$ 46,771</u>

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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020
(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 2018, 2019, and 2020 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 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, 2020, consist of the following:

Contract Labor	\$ 962
Feed, Hay and Straw	26,581
Medical Supplies	363
Supplies	12,263
Special Events	7,139
Veterinary	<u>2,147</u>
Total In-Kind Donations	<u>\$ 49,455</u>

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

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 5, 2021, 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, 2020, advertising costs totaled \$15,035.

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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Continued)

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, 2020, were comprised of the following:

	Carrying Value
Investments:	
Money Market Funds	\$ 949,107
Fixed Income Securities	97,770
Exchange Traded Funds	<u>8,104,023</u>
Total Investments	<u>\$ 9,150,900</u>

Note 3. Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2020, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 949,107	\$ 949,107
Fixed Income Securities	97,770	97,770
Exchange Traded Funds	<u>8,104,023</u>	<u>8,104,023</u>
Total	<u>\$ 9,150,900</u>	<u>\$ 9,150,900</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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.

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 as of December 31, 2020, consists of the following:

Donor restricted for Second Chances Program	\$ 75,641
Donor restricted for MD Capital Improvements	2,388
Donor restricted for Santulli Walkkill Feed	52,478
Donor restricted for Sophies Fund	69,367
Donor restricted for Blackburn	5,602
Donor restricted for TERF Grant - Groom Elite	6,500
Donor restricted for Latham Foundation	3,000
Donor restricted for USA Equestrian Trust	5,000
Donor restricted for Kentucky Thoroughbred	5,000
Donor Restricted Endowment Funds:	
Original Donor Restricted Gift Amount and	
Amounts Required to be Retained by Donor	6,000,000
Portion Subject to Appropriation Under NYPMIFA	<u>3,150,882</u>
Total Net Assets with Donor Restrictions	<u>\$ 9,375,858</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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 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

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

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.

During 2020, the Foundation and the Executors of the Estate of Paul Mellon (“Executors”) reached an “Agreement on Appropriation and Expenditure of Restricted Endowment Funds,” through which, the Executors agreed to exercise their authority with respect to the Endowment Fund and permit the Foundation, on a one-time basis, to appropriate and expend certain monies from the Endowment Fund. The agreement authorized the Foundation to appropriate from the Endowment Fund and expend, in support of the mission of the Foundation the amount of \$1,000,000. As of December 31, 2020, the Foundation has expended \$651,664 of this appropriation.

Endowment net asset composition by type of fund as of December 31, 2020, 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	\$ 6,000,000
Portion Subject to Appropriation Under NYPMIFA	<u>3,150,881</u>
Total Funds	<u>\$ 9,150,881</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Changes in endowment net assets as of December 31, 2020, are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 9,436,272
Investment Return, Net	838,147
Appropriation of Endowment Assets for Expenditure	(1,123,538)
Endowment Net Assets, End of Year	\$ 9,150,881

Note 6. Fixed Assets

Buildings and Leasehold Improvements	\$ 765,012
Equipment and Vehicles	195,831
Office Furniture and Equipment	13,117
Less: Accumulated Depreciation	(802,940)
Total	\$ 171,020

Depreciation expense was \$20,336 for the year ended December 31, 2020.

Note 7. Related Party Transactions

Lawrence Holmes, a board member, is the parent of the owner of Renaissance Farm (a Thoroughbred Retirement Foundation sanctuary farm). During the year ended December 31, 2020, the Renaissance Farm had five Thoroughbred horses under their care and was paid according to Foundation regulations for care of the horses. During 2020, Renaissance Farm was paid approximately \$15,000.

Note 8. Lease Commitments

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>
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, 2020, was \$18,022.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Continued)

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.

During 2019, 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 term of this lease will automatically be extended for a four-year period (“Extension Term”) upon the same terms and conditions, unless either party gives written notice to the other not less than sixty days prior to the end of the initial term. 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 annually on November 15th and the second installment of \$8,750 due and payable annually on January 1st. Actual rental expense to the Foundation for the year ended December 31, 2020, was \$10,000.

Note 9. Notes Payable

During September 2020, the Foundation paid the balance remaining on their note payable to Synovus, therefore, no note payable liability exists as of December 31, 2020.

Note 10. Paycheck Protection Program (PPP) Note Payable

The Foundation applied for and received a Paycheck Protection Program (“PPP”) loan under a new federal program designed to support small businesses during the pandemic. The PPP loan program was part of the CARES Act, which was signed into law on March 27, 2020, and is being implemented by the Small Business Association (“SBA”) with cooperation from private banks. PPP loans may be fully or partially forgiven by application to the SBA if proceeds are expended based on federal guidelines. Management applied for the PPP loan to fund payroll and other allowable costs while the Company responded to government restrictions on business operations and anticipated reduced revenues from the economic downturn associated with the pandemic. A loan in the amount of \$171,400 was received and deposited during April 2020. During November 2020, the Foundation received notice that this loan qualified for loan forgiveness since it was spent in accordance with federal regulations relating to the use of funds during the 24 weeks following the deposit of the loan proceeds. The PPP loan was paid in full by the SBA during November 2020, therefore, per FASB ASC 958-605: Government Grant Model and IAS 20: Government Grant Accounting and Disclosure, the full amount has been reported on the statement of activities as grant revenue – PPP loan forgiveness during the year ended December 31, 2020.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(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, 2020, \$211,831 of the Foundation's bank balance of \$573,268, which has a carrying value of \$516,671, 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 \$457,544 that will be appropriated from the endowment fund in the first quarter of the year, and \$224,976 that will be released from donor-restricted contributions appropriated throughout the year.

Financial assets at year-end	\$ 9,760,591
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	9,150,881
Donor-restricted to care and maintenance of retired thoroughbred horses, with a racing record	<u>224,976</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 384,734</u>

Note 13. Subsequent Events

As of the March 31, 2021, the Endowment value had decreased by \$28,502 to \$9,122,379, which includes the allowed annual 5% transfer to operating cash of \$457,544 and a market value increase of \$429,042.

During February 2021, the Foundation received loan proceeds in the amount of \$115,706 under the second round of the Paycheck Protection Program ("PPP"). This loan has the same stipulations for forgiveness as the loan received under the first round of the PPP loan as described in note 9 above.

SUPPLEMENTAL SCHEDULES

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For the Year Ended December 31, 2020

	<u>National</u>	<u>Walkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>
Revenue:					
Unrestricted Revenue	\$ 1,713,372	\$ 26,756	\$ 894	\$ 50,249	\$ 10,604
Total Revenue	<u>1,713,372</u>	<u>26,756</u>	<u>894</u>	<u>50,249</u>	<u>10,604</u>
Program, Administrative and Fundraising Expenses:					
Program Services	233,856	143,348	81,710	17,458	240,142
Management and General	305,908	2	-	25	112
Fundraising	<u>318,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Program, Administrative and Fundraising Expenses	<u>858,207</u>	<u>143,350</u>	<u>81,710</u>	<u>17,483</u>	<u>240,254</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 855,165</u>	<u>\$ (116,594)</u>	<u>\$ (80,816)</u>	<u>\$ 32,766</u>	<u>\$ (229,650)</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For The Year Ended December 31, 2020
(Continued)

<u>Marion Florida</u>	<u>Satellite Farms</u>	<u>Montpelier</u>	<u>Wateree SC</u>	<u>New England</u>	<u>Maryland</u>	<u>Totals</u>
\$ 120,284	\$ 2,909	\$ -	\$ 5,656	\$ -	\$ 5,781	\$ 1,936,505
<u>120,284</u>	<u>2,909</u>	<u>-</u>	<u>5,656</u>	<u>-</u>	<u>5,781</u>	<u>1,936,505</u>
119,105	447,837	415	24,594	420	5,371	1,314,256
-	-	-	-	-	-	306,047
<u>638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,081</u>
<u>119,743</u>	<u>447,837</u>	<u>415</u>	<u>24,594</u>	<u>420</u>	<u>5,371</u>	<u>1,939,384</u>
<u>\$ 541</u>	<u>\$ (444,928)</u>	<u>\$ (415)</u>	<u>\$ (18,938)</u>	<u>\$ (420)</u>	<u>\$ 410</u>	<u>\$ (2,879)</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2020

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>
Program Services:					
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Charges	88	-	-	-	-
Blacksmith	-	4,785	3,395	-	10,845
Board	-	-	-	-	98,773
Contract Labor	5,007	15,600	-	-	150
Depreciation	360	2,459	5,177	1,205	1,094
Employee Benefits	8,738	-	-	-	11,698
Equipment Rental	-	-	-	-	-
Feed, Hay and Straw	23,660	81,218	12,846	7,938	22,040
Insurance	17,949	-	5,408	-	-
Interest	119	534	21	2	185
Internet	231	-	-	-	-
Medical Supplies	4,824	16	-	363	252
Miscellaneous	533	-	-	-	-
Office Supplies	422	1,082	-	-	208
Payroll Taxes	11,437	48	5,205	-	6,309
Postage and Freight	615	51	-	-	-
Rent	-	-	-	-	-
Repairs and Maintenance	-	15,761	78	-	42
Salaries and Wages	136,195	624	44,158	-	77,278
Supplies	12,462	4,287	1,094	1,839	991
Taxes and Licenses	-	-	-	-	152
Telephone	75	920	-	-	-
Transportation	4,250	-	260	200	-
Travel	4,293	-	-	-	1,351
Training	-	4,000	-	-	-
Utilities	-	-	-	1,092	-
Veterinary and Dental Fees	<u>2,598</u>	<u>11,963</u>	<u>4,068</u>	<u>4,819</u>	<u>8,774</u>
Total	<u>\$ 233,856</u>	<u>\$ 143,348</u>	<u>\$ 81,710</u>	<u>\$ 17,458</u>	<u>\$ 240,142</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2020
(Continued)

<u>Marion</u> <u>Florida</u>	<u>Satellite</u> <u>Farms</u>	<u>Montpelier</u>	<u>Wateree</u> <u>SC</u>	<u>New</u> <u>England</u>	<u>Maryland</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	88
12,545	22,496	-	1,700	-	505	56,271
-	362,197	-	-	-	-	460,970
7,107	1,450	-	-	-	-	29,314
484	8,144	-	-	-	1,413	20,336
-	-	-	-	-	-	20,436
5,699	-	-	-	-	-	5,699
54,261	6,837	-	5,823	-	2,622	217,245
-	-	-	-	-	-	23,357
23	32	-	-	-	-	916
-	-	-	100	-	-	331
1,436	2,065	100	-	-	89	9,145
-	-	-	-	-	-	533
594	111	-	32	-	-	2,449
2,388	-	-	-	-	-	25,387
-	-	-	148	-	-	814
-	10,000	-	-	-	-	10,000
4,836	-	-	11,859	-	-	32,576
20,314	-	-	-	-	150	278,719
3,511	3,867	-	300	-	292	28,643
-	-	-	-	-	-	152
3,105	-	-	177	-	-	4,277
-	-	-	-	-	-	4,710
87	338	-	-	-	-	6,069
-	-	-	-	-	-	4,000
-	-	-	-	-	-	1,092
<u>2,715</u>	<u>30,300</u>	<u>315</u>	<u>4,455</u>	<u>420</u>	<u>300</u>	<u>70,727</u>
<u>\$ 119,105</u>	<u>\$ 447,837</u>	<u>\$ 415</u>	<u>\$ 24,594</u>	<u>\$ 420</u>	<u>\$ 5,371</u>	<u>\$ 1,314,256</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2020

	<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	\$ 21,151	\$ -	\$ -	\$ -	\$ -
Advertising	1,735	-	-	-	-
Bank Charges	11,525	-	-	-	-
Contract Labor	33,097	-	-	-	-
Dues	9,751	-	-	-	-
Employee Benefits	5,712	-	-	-	-
Equipment Rental	4,254	-	-	-	-
Insurance	5,742	-	-	-	-
Interest	45,446	2	-	25	112
Internet	1,170	-	-	-	-
Non-recurring Legal Fees	49,013	-	-	-	-
Office Supplies	6,442	-	-	-	-
Payroll Taxes	7,373	-	-	-	-
Postage and Freight	4,602	-	-	-	-
Printing and Publications	320	-	-	-	-
Rent	9,589	-	-	-	-
Salaries and Wages	78,914	-	-	-	-
Supplies	1,898	-	-	-	-
Taxes and Licenses	2,180	-	-	-	-
Telephone	3,768	-	-	-	-
Travel	416	-	-	-	-
Utilities	1,810	-	-	-	-
	<u>1,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 305,908</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 112</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2020
(Continued)

<u>Marion</u> <u>Florida</u>	<u>Satellite</u> <u>Farms</u>	<u>Wateree</u> <u>SC</u>	<u>Maryland</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,151
-	-	-	-	1,735
-	-	-	-	11,525
-	-	-	-	33,097
-	-	-	-	9,751
-	-	-	-	5,712
-	-	-	-	4,254
-	-	-	-	5,742
-	-	-	-	45,585
-	-	-	-	1,170
-	-	-	-	49,013
-	-	-	-	6,442
-	-	-	-	7,373
-	-	-	-	4,602
-	-	-	-	320
-	-	-	-	9,589
-	-	-	-	78,914
-	-	-	-	1,898
-	-	-	-	2,180
-	-	-	-	3,768
-	-	-	-	416
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,810</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,047</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION
For the Year Ended December 31, 2020

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>
Fundraising:					
Advertising	\$ 12,662	\$ -	\$ -	\$ -	\$ -
Appeal and Book	2,102	-	-	-	-
Bank Charges	4,934	-	-	-	-
Contract Labor	20,826	-	-	-	-
Dues	1,241	-	-	-	-
Employee Benefits	17,991	-	-	-	-
Equipment Rental	1,639	-	-	-	-
Interest	270	-	-	-	-
Internet	591	-	-	-	-
Office Supplies	6,511	-	-	-	-
Payroll Taxes	13,710	-	-	-	-
Postage and Freight	8,179	-	-	-	-
Printing and Publications	25,255	-	-	-	-
Promotional	13,335	-	-	-	-
Rent	8,821	-	-	-	-
Salaries and Wages	174,787	-	-	-	-
Supplies	1,008	-	-	-	-
Telephone	833	-	-	-	-
Travel	3,748	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 318,443</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, 2020
(Continued)

Marion	Satellite	Wateree		
<u>Florida</u>	<u>Farms</u>	<u>SC</u>	<u>Maryland</u>	<u>Totals</u>
\$ 638	\$ -	\$ -	\$ -	\$ 13,300
-	-	-	-	2,102
-	-	-	-	4,934
-	-	-	-	20,826
-	-	-	-	1,241
-	-	-	-	17,991
-	-	-	-	1,639
-	-	-	-	270
-	-	-	-	591
-	-	-	-	6,511
-	-	-	-	13,710
-	-	-	-	8,179
-	-	-	-	25,255
-	-	-	-	13,335
-	-	-	-	8,821
-	-	-	-	174,787
-	-	-	-	1,008
-	-	-	-	833
-	-	-	-	3,748
<u>\$ 638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,081</u>