

**THOROUGHBRED RETIREMENT
FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2022**

THOROUGHbred RETIREMENT FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2022

TABLE OF CONTENTS

	Page
List of Board of Directors	
Independent Auditor's Report	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-20
Supplemental Schedules	
Summary Schedule of Revenue and Expenses by Location	21
Schedule of Program Services by Location	22
Schedule of General and Administrative Expenses by Location	23
Schedule of Fundraising Expenses by Location	24

THOROUGHBRED RETIREMENT FOUNDATION, INC.

Board of Directors

2022

Patrick H. Mackay, Chairman
John B. Cannie, Esq., President
Sarah Stein, Secretary
Larry J. Holmes, Treasurer
Stephanie Brennan
Katie LaMonica
Kelsey Marshall Hughes
Nicholas Meatiness, DVM
Anita Motion
Paul H. Saylor
Maggie Wolfendale Morley

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA (1963-2020)

TERRY M. HANCOCK, CPA, EMERITUS

LARRY F. GODWIN, CPA

THOMAS B. MYERS, CPA

DARYL W. TAYLOR, CPA

ANTHONY E. BOYKIN, CPA

JANE M. PEACOCK, CPA

MATTHEW C. IRICK, CPA

J. RICHARD PARKER, CPA

R. MARC WOOD

SHANE E. KIRKLEY, CPA

B. KEACH JORDAN, CPA

JOHN C. BOYKIN, III, CPA

MEREDITH A. BLAKE, CPA

JOHN F. MARTIN, CPA

TRACY L. FAILE, CPA

M. EMILY SKUFCA, CPA, CIA, CFE

AMANDA B. BUCKELEW

STEPHANIE G. CARO

JASON B. HARRIS

ANNETTE L. PALMER, EA

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE

(803) 432-1424

FAX

(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

March 20, 2023

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, 2022, 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, 2022, 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 21-24 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, 2022

ASSETS

Cash and Cash Equivalents	\$	316,604
Restricted Cash		220,139
Contribution Receivables		71,164
Prepaid Expenses		11,236
Short-Term Investments		770,706
Long-Term Investments		8,481,515
Fixed Assets, Net of Depreciation		185,831
Operating Lease Right of Use Asset, Net		<u>45,819</u>
Total Assets	\$	<u>10,103,014</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$	164,064
Current Portion Note Payable - Adirondack Trust Company		7,074
Operating Lease Liability, Current Portion		<u>20,079</u>
Total Current Liabilities		<u>191,217</u>
Note Payable - Adirondack Trust Company, Less Current Portion		21,073
Noncurrent Operating Lease Liabilities, Less Current Portion		<u>26,277</u>
Total Liabilities		<u>238,567</u>
Net Assets		
Without Donor Restrictions		1,162,793
With Donor Restrictions		<u>8,701,654</u>
Total Net Assets		<u>9,864,447</u>
Total Liabilities and Net Assets	\$	<u>10,103,014</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, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,475,034	\$ -	\$ 1,475,034
In-Kind Contributions	37,754	-	37,754
Grants	286,062	-	286,062
Miscellaneous Income	2,400	-	2,400
Special Events			
Revenues	162,226	-	162,226
Less: Expenses	(55,653)	-	(55,653)
Investment Return, Net	4,809	-	4,809
Gain on Sale of Fixed Assets	1,437		1,437
Net Realized and Unrealized Gain / (Loss) on Long-Term Investments	(11,102)	(1,244,694)	(1,255,796)
Net Assets Released from Restrictions			
Appropriation from Donor Endowment	511,906	(511,906)	-
Expiration of Time Restriction	<u>107,400</u>	<u>(107,400)</u>	<u>-</u>
 Total Support and Revenue	 <u>2,522,273</u>	 <u>(1,864,000)</u>	 <u>658,273</u>
Expenses			
Program Services	1,488,127	-	1,488,127
Supporting Services:			
General and Administrative	310,403	-	310,403
Fundraising	<u>464,850</u>	<u>-</u>	<u>464,850</u>
 Total Expenses	 <u>2,263,380</u>	 <u>-</u>	 <u>2,263,380</u>
 Change In Net Assets	 258,893	 (1,864,000)	 (1,605,107)
 Net Assets, Beginning of Year	 <u>903,900</u>	 <u>10,565,654</u>	 <u>11,469,554</u>
 Net Assets, End of Year	 <u>\$ 1,162,793</u>	 <u>\$ 8,701,654</u>	 <u>\$ 9,864,447</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, 2022

	Program	General and		Direct Benefit	
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>to Donors</u>	<u>Total</u>
Accounting	\$ -	\$ 49,653	\$ -	\$ -	\$ 49,653
Advertising	160	7,845	4,225	-	12,230
Appeal and Book	-	-	7,140	-	7,140
Bank Charges	34	10,169	7,980	-	18,183
Blacksmith	58,937	-	-	-	58,937
Board	364,368	-	-	-	364,368
Contract Labor	16,837	21,034	27,385	-	65,256
Depreciation	56,350	-	-	-	56,350
Dues	537	12,588	765	-	13,890
Employee Benefits	29,429	15,793	5,365	-	50,587
Equipment Rental	6,570	2,695	562	-	9,827
Feed, Hay and Straw	245,458	-	-	-	245,458
Insurance	20,447	17,068	787	-	38,302
Interest	1,362	888	732	-	2,982
Internet	-	1,176	818	-	1,994
Lease Amortization, Right of Use Asset	-	7,637	7,637	-	15,274
Non-recurring Legal Fees	-	203	-	-	203
Medical Supplies	14,477	-	-	-	14,477
Miscellaneous Expense	-	302	-	-	302
Office Supplies	2,276	12,064	13,288	-	27,628
Payroll Taxes	29,177	9,373	22,051	-	60,601
Postage and Freight	4,255	6,119	9,458	-	19,832
Printing and Publications	-	114	33,481	-	33,595
Promotional	-	-	34,178	55,653	89,831
Rent	5,000	2,705	1,600	-	9,305
Repairs and Maintenance	56,824	266	-	-	57,090
Salaries and Wages	347,130	117,639	271,088	-	735,857
Supplies	69,844	2,421	3,974	-	76,239
Taxes and Licenses	488	25	-	-	513
Telephone	4,743	3,530	-	-	8,273
Transportation	30,100	-	-	-	30,100
Travel	12,520	8,613	12,336	-	33,469
Training	13,778	155	-	-	13,933
Utilities	2,973	328	-	-	3,301
Veterinary and Dental Fees	<u>94,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,053</u>
 Total Expenses	 1,488,127	 310,403	 464,850	 55,653	 2,319,033
 Less Expenses Included with Revenues on the Statement of Activities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(55,653)</u>	 <u>(55,653)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 1,488,127</u>	 <u>\$ 310,403</u>	 <u>\$ 464,850</u>	 <u>\$ -</u>	 <u>\$ 2,263,380</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, 2022

Cash Flows From Operating Activities	
Change in Net Assets	\$ (1,605,107)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	56,350
Amortization of Operating Lease Right of Use Asset	15,274
Net Unrealized and Realized Gain / (Loss) on Investments	1,255,796
 (Increase) Decrease in:	
Contribution Receivables	35,539
Grant Receivables	126,390
Prepaid Expenses	(3,368)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>(8,399)</u>
 Net Cash (Used) by Operating Activities	<u>(127,525)</u>
 Cash Flows From Financing Activities	
Payments on Notes Payable	(6,778)
Payments on Operating Lease Liability	<u>(14,736)</u>
 Net Cash (Used) by Financing Activities	<u>(21,514)</u>
 Cash Flows From Investing Activities	
Purchase of Equipment, Net of Disposals	(54,520)
Increase in Restricted Cash	107,401
Increase in Short Term Investments	(448,803)
Decrease in Long Term Investments	<u>500,803</u>
 Net Cash Provided by Investing Activities	<u>104,881</u>
 Decrease in Cash and Cash Equivalents	 (44,158)
 Cash and Cash Equivalents, Beginning of Year	 <u>360,762</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 316,604</u>
 Supplemental Cash Flows Information:	
Non-Cash Operating Activities	
In-Kind Contribution	<u>\$ 37,754</u>
Interest Paid	<u>\$ 2,982</u>

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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1. Summary of Significant Accounting Policies

The Thoroughbred Retirement Foundation, Inc., “the Foundation”, is a non-profit organization established to save retired thoroughbred racehorses, 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 Executive Director 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. Contribution and Grant Receivable

Contribution and grant receivables are stated at the amount management expects to collect from outstanding balances. Management believes all contribution and grant receivables as of December 31, 2022, are fully collectible. Accordingly, no reserve for bad debt exists at December 31, 2022. It is the Foundation’s policy to charge off uncollectible contribution and grant receivables when management determines the receivable will not be collected.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

D. 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

E. Leases

The Foundation recognizes and measures its leases in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases. The Foundation is a lessee in one cancellable operating lease for office space. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Foundation recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Foundation uses its incremental borrowing rate. The implicit rate of our lease is not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Foundation's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (ie. present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less any impairment recognized. Lease cost amortization for lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. We recognize lease cost associated with our short-term leases on a straight-line basis over the lease term.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

F. 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 2020, 2021, and 2022 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.

G. 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.

H. 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, 2022, consist of the following:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Farrier	\$	1,025
Feed		2,068
Foster Farm Expense		3,759
Hay		1,651
Maintenance		101
Medical Supplies		319
Shavings		62
Supplies		2,615
Special Events		25,438
Veterinary		<u>716</u>
Total In-Kind Donations	\$	<u><u>37,754</u></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.

I. 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.

J. 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.

K. Subsequent Events

The Foundation evaluated events and transactions subsequent to the balance sheet date through March 20, 2023, which is the date the financial statements were available to be issued.

L. 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, 2022
(Continued)

M. Advertising

The Foundation 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, 2022, advertising costs totaled \$12,230.

N. Employee Benefit Plan

The Company has a 401(k) and profit-sharing plan covering employees 21 years of age or older. Each eligible participant with an entry date first occurring on or after January 1, 2021, will be automatically enrolled in the plan as a participant. The minimum percentage of compensation a participant may elect to be treated as an elective deferral is 1% with the maximum being 90%, up to the applicable federal limit. Three percent of compensation will be deferred as a pre-tax elective deferral on the participants behalf.

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, 2022, were comprised of the following:

	Carrying Value
Investments:	
Money Market Funds	\$ 697,182
Fixed Income	737,967
Equities	2,298,365
Exchange Traded Funds	5,136,639
Other Assets	<u>382,068</u>
Total Investments	<u>\$ 9,252,221</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Note 3. Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2022, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 697,182	\$ 697,182
Fixed Income	737,967	737,967
Equities	2,298,365	2,298,365
Exchange Traded Funds	5,136,639	5,136,639
Other Assets	<u>382,068</u>	<u>382,068</u>
Total	<u>\$ 9,252,221</u>	<u>\$ 9,252,221</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.

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, 2022, consists of the following:

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Donor restricted for Santulli Hay and Feed Fund	\$ 53,063
Donor restricted for Sophie Stenbeck's Hart to Heart Fund	45,112
Donor restricted for Blackburn	30,000
Donor restricted for T.E.R.F. Grant - Teaching Aides	828
Donor restricted for 2nd Chances Expansion	55,790
Donor restricted for Pleasant Valley State Prison - Second Chances Program	25,346
Donor restricted for Lowell	10,000
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>2,481,515</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 8,701,654</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 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

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

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 racehorses, 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, 2022, the Foundation has expended \$651,665 of this appropriation.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Endowment net asset composition by type of fund as of December 31, 2022, 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>2,481,515</u>
Total Funds	<u>\$ 8,481,515</u>

Changes in endowment net assets as of December 31, 2022, are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 10,238,114
Investment Return, Net	(1,244,693)
Appropriation of Endowment Assets for Expenditure	<u>(511,906)</u>
Endowment Net Assets, End of Year	<u>\$ 8,481,515</u>

Note 6. Fixed Assets

Buildings and Leasehold Improvements	\$ 769,653
Equipment and Vehicles	264,057
Office Furniture and Equipment	13,117
Less: Accumulated Depreciation	<u>(860,996)</u>
Total	<u>\$ 185,831</u>

Depreciation expense was \$56,350 for the year ended December 31, 2022.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Note 7. Operating Lease Right of Use Asset

The Foundation has a non-cancelable operating lease for the use of office space which expires March 2025. See Note 13 for current accounting pronouncement FASB ASC 842. Under FASB ASC 842, the Company is to record this lease as an Operating Lease Right of Use Asset with the following presentation on the financial statements:

	<u>December 31, 2022</u>
Statement of Financial Position:	
Operating Lease Right of Use Asset	\$ 61,092
Less: Accumulated Amortization-Operating Lease	15,273
Operating Lease Right of Use Asset, Net	<u>\$ 45,819</u>
Operating Lease Liability, Current Portion	\$ 20,079
Noncurrent Operating Lease Liabilities, Less Current Portion	26,277
Total Liability	<u>\$ 46,356</u>
Statement of Functional Expenses:	
Lease Amortization, Right of Use Asset	<u>\$ 15,274</u>

Estimated future amortization expenses for operating lease right of use asset as of December 31, 2022, was as follows:

Year Ending December 31:	
2023	\$ 20,364
2024	20,364
2025	5,091
Total	<u>\$ 45,819</u>

The maturities of lease liability as of December 31, 2022, was as follows:

Year Ending December 31:	
2023	\$ 21,600
2024	21,600
2025	5,400
Total	<u>\$ 48,600</u>
Less: Interest Expense	2,244
Total	<u>\$ 46,356</u>

Note 8. 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, 2022, the Renaissance Farm had five Thoroughbred horses

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

under their care and was paid according to Foundation regulations for care of the horses. During 2022, Renaissance Farm was paid approximately \$15,282.

Note 9. Farm 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.

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. This lease was terminated effective October 2022.

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 October 11, 2022. The lease may be terminated prior to the end of the lease term by either party upon ninety days written notice to the other. Unless either party indicates otherwise in writing, the lease shall continue from month to month after the term. The amount of the lease payment will be a fixed \$20,000 for the property, payable in four installments. Actual rental expense to the Foundation for the year ended December 31, 2022, was \$5,000.

During March 2021, the Foundation entered into a lease agreement with Chorleywood Commons, LLC (a Kentucky limited liability company) to lease its farm located at Chestnut Hall in Prospect, Kentucky. The annual lease dates are March 15, 2021-March 14, 2024, with an annual lease payment of \$1.

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Note 10. Notes Payable

During October 2021, the Foundation entered into a note payable with The Adirondack Trust Company for the purchase of a vehicle. The note payable calls for 60 payments of \$676 at a fixed rate of 4.09%. This note, which is due October 2026, is secured by a 2017 Ford F-250.

During the year ended December 31, 2022, the following changes occurred in long-term debt:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Note Payable	\$ 34,925		6,778	\$ 28,147

Scheduled principal maturities of long-term debt are as follows:

Years Ending December 31,	
2023	\$ 7,074
2024	7,368
2025	7,675
2026	6,030
Total	\$ 28,147

Note 11. Custodial 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. The Foundation maintains their cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Foundation's uninsured cash balances total approximately \$211,800.

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 \$424,076 that will be appropriated from the endowment fund in

THOROUGHBRED RETIREMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Continued)

the first quarter of the year, and \$220,139 that will be released from donor-restricted contributions appropriated throughout the year.

Financial assets at year-end	\$ 9,860,128
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	8,481,515
Donor-restricted to care and maintenance of retired thoroughbred horses, with a racing record	220,139
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,158,474

Note 13. Change in Accounting Principle for New Pronouncement

Current Accounting Pronouncements

In February 2016, The FASB issued FASB ASC 842, Leases, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. FASB ASC 842 is effective for non-profit entities for annual reporting periods beginning after December 31, 2021. Management has adopted this policy effective January 1, 2022.

Note 14. Subsequent Events

As of the February 28, 2023, the latest statement available as of the March 20, 2023, financial report, the Endowment value had decreased by \$146,398 to \$8,335,117, which includes the allowed annual 5% transfer to operating cash of \$424,076, fees and charges of \$9,545, dividend income of \$16,759 and a market value increase of \$270,464.

SUPPLEMENTAL SCHEDULES

THOROUGHbred RETIREMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
For the Year Ended December 31, 2022

	<u>National</u>	<u>Wallkill</u>	<u>Vandalia</u>	<u>Blackburn</u>	<u>Wyoming</u>	Pleasant Valley State <u>Prison</u>	<u>Lowell</u>	Florida <u>DJJ</u>	Sanctuary <u>Farms</u>	Wateree <u>SC</u>	<u>Maryland</u>	<u>Totals</u>
Revenue:												
Unrestricted Revenue	\$ 1,684,787	\$ 28,408	\$ 1,664	\$ 5,547	\$ 550	\$ 52,549	\$ 41,050	\$ 500	\$ 45,633	\$ 32,416	\$ 16,152	\$ 1,909,256
Total Revenue	<u>1,684,787</u>	<u>28,408</u>	<u>1,664</u>	<u>5,547</u>	<u>550</u>	<u>52,549</u>	<u>41,050</u>	<u>500</u>	<u>45,633</u>	<u>32,416</u>	<u>16,152</u>	<u>1,909,256</u>
Program, Administrative and Fundraising Expenses:												
Program Services	208,939	147,538	118,690	63,445	44,794	23,996	132,492	9,501	682,614	29,704	26,414	1,488,127
Management and General	310,403	-	-	-	-	-	-	-	-	-	-	310,403
Fundraising	<u>422,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,288</u>	<u>-</u>	<u>40,685</u>	<u>-</u>	<u>-</u>	<u>464,850</u>
Total Program, Administrative and Fundraising Expenses	<u>942,219</u>	<u>147,538</u>	<u>118,690</u>	<u>63,445</u>	<u>44,794</u>	<u>23,996</u>	<u>133,780</u>	<u>9,501</u>	<u>723,299</u>	<u>29,704</u>	<u>26,414</u>	<u>2,263,380</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 742,568</u>	<u>\$ (119,130)</u>	<u>\$ (117,026)</u>	<u>\$ (57,898)</u>	<u>\$ (44,244)</u>	<u>\$ 28,553</u>	<u>\$ (92,730)</u>	<u>\$ (9,001)</u>	<u>\$ (677,666)</u>	<u>\$ 2,712</u>	<u>\$ (10,262)</u>	<u>\$ (354,124)</u>

THOROUGHBRED RETIREMENT FOUNDATION, INC.
SCHEDULE OF PROGRAM SERVICES BY LOCATION
For the Year Ended December 31, 2022

Program Services:	Pleasant											
	National	Wallkill	Vandalia	Blackburn	Wyoming	Valley State Prison	Lowell	Florida DJJ	Sanctuary Farms	Wateree SC	Maryland	Totals
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160	\$ -	\$ -	\$ 160
Bank Charges	34	-	-	-	-	-	-	-	-	-	-	34
Blacksmith	1,025	4,005	3,010	3,920	660	1,005	12,985	750	28,215	1,202	2,160	58,937
Board	-	-	-	-	-	-	-	-	364,368	-	-	364,368
Contract Labor	-	-	359	-	473	7,218	7,935	-	852	-	-	16,837
Depreciation	71	9,788	1,856	15,665	1,322	-	2,683	5,694	12,780	6,100	391	56,350
Dues	4	-	-	-	205	-	-	-	328	-	-	537
Employee Benefits	7,578	-	7,536	-	-	-	-	-	14,315	-	-	29,429
Equipment Rental	809	335	-	-	1,011	-	2,059	-	2,356	-	-	6,570
Feed, Hay and Straw	7,540	57,891	16,281	23,192	4,683	9,560	63,176	161	42,616	10,483	9,875	245,458
Insurance	12,459	-	2,940	-	-	-	-	-	5,048	-	-	20,447
Interest	1,336	-	-	-	-	-	-	-	-	-	26	1,362
Medical Supplies	319	2,655	1,650	979	604	189	1,235	144	5,386	697	619	14,477
Office Supplies	76	1,018	-	206	-	-	593	84	279	20	-	2,276
Payroll Taxes	11,516	1,905	3,781	-	-	-	1,656	-	10,319	-	-	29,177
Postage and Freight	2,239	638	81	-	1,200	-	70	-	27	-	-	4,255
Rent	-	-	-	-	-	-	-	-	5,000	-	-	5,000
Repairs and Maintenance	101	5,383	5,399	25	22,993	527	8,232	954	7,598	5,070	542	56,824
Salaries and Wages	143,341	16,224	47,694	-	-	-	20,933	-	118,938	-	-	347,130
Supplies	2,637	20,956	3,487	6,433	6,481	4,256	5,185	1,425	13,922	829	4,233	69,844
Taxes and Licenses	-	-	-	-	-	383	-	-	69	36	-	488
Telephone	-	1,452	-	-	-	-	3,291	-	-	-	-	4,743
Transportation	6,600	-	21,225	-	-	475	-	-	-	-	1,800	30,100
Travel	7,778	-	305	-	604	9	191	289	3,344	-	-	12,520
Training	2,610	400	-	2,500	3,041	-	-	-	-	3,000	2,227	13,778
Utilities	-	-	-	1,102	-	-	-	-	1,871	-	-	2,973
Veterinary and Dental Fees	866	24,888	3,086	9,423	1,517	374	2,268	-	44,823	2,267	4,541	94,053
Total	\$ 208,939	\$ 147,538	\$ 118,690	\$ 63,445	\$ 44,794	\$ 23,996	\$ 132,492	\$ 9,501	\$ 682,614	\$ 29,704	\$ 26,414	\$ 1,488,127

THOROUGHbred RETIREMENT FOUNDATION, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION
For the Year Ended December 31, 2022

	<u>National</u>	<u>Walkill</u>	<u>Vandalia</u>	<u>Blackburn</u>	<u>Wyoming</u>	<u>Pleasant Valley State</u>	<u>Lowell</u>	<u>Florida DJJ</u>	<u>Sanctuary Farms</u>	<u>Wateree SC</u>	<u>Maryland</u>	<u>Totals</u>
General and Administrative:												
Accounting Fees	\$ 49,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,653
Advertising	7,845	-	-	-	-	-	-	-	-	-	-	7,845
Bank Charges	10,169	-	-	-	-	-	-	-	-	-	-	10,169
Contract Labor	21,034	-	-	-	-	-	-	-	-	-	-	21,034
Dues	12,588	-	-	-	-	-	-	-	-	-	-	12,588
Employee Benefits	15,793	-	-	-	-	-	-	-	-	-	-	15,793
Equipment Rental	2,695	-	-	-	-	-	-	-	-	-	-	2,695
Insurance	17,068	-	-	-	-	-	-	-	-	-	-	17,068
Interest	888	-	-	-	-	-	-	-	-	-	-	888
Internet	1,176	-	-	-	-	-	-	-	-	-	-	1,176
Lease Amortization	7,637	-	-	-	-	-	-	-	-	-	-	7,637
Non-recurring Legal Fees	203	-	-	-	-	-	-	-	-	-	-	203
Miscellaneous Expense	302	-	-	-	-	-	-	-	-	-	-	302
Office Supplies	12,064	-	-	-	-	-	-	-	-	-	-	12,064
Payroll Taxes	9,373	-	-	-	-	-	-	-	-	-	-	9,373
Postage and Freight	6,119	-	-	-	-	-	-	-	-	-	-	6,119
Printing and Publications	114	-	-	-	-	-	-	-	-	-	-	114
Rent	2,705	-	-	-	-	-	-	-	-	-	-	2,705
Repairs and Maintenance	266	-	-	-	-	-	-	-	-	-	-	266
Salaries and Wages	117,639	-	-	-	-	-	-	-	-	-	-	117,639
Supplies	2,421	-	-	-	-	-	-	-	-	-	-	2,421
Taxes and Licenses	25	-	-	-	-	-	-	-	-	-	-	25
Telephone	3,530	-	-	-	-	-	-	-	-	-	-	3,530
Training	155	-	-	-	-	-	-	-	-	-	-	155
Travel	8,613	-	-	-	-	-	-	-	-	-	-	8,613
Utilities	328	-	-	-	-	-	-	-	-	-	-	328
Total	<u>\$ 310,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,403</u>

THOROUGHbred RETIREMENT FOUNDATION, INC.
SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION
For the Year Ended December 31, 2022

	<u>National</u>	<u>Wallkill</u>	<u>Vandalia</u>	<u>Blackburn</u>	<u>Wyoming</u>	<u>Pleasant Valley State Prison</u>	<u>Lowell</u>	<u>Florida DJJ</u>	<u>Sanctuary Farms</u>	<u>Wateree SC</u>	<u>Maryland</u>	<u>Totals</u>
Fundraising:												
Advertising	\$ 4,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,225
Appeal and Book	7,140	-	-	-	-	-	-	-	-	-	-	7,140
Bank Charges	7,980	-	-	-	-	-	-	-	-	-	-	7,980
Contract Labor	27,385	-	-	-	-	-	-	-	-	-	-	27,385
Dues	765	-	-	-	-	-	-	-	-	-	-	765
Employee Benefits	5,365	-	-	-	-	-	-	-	-	-	-	5,365
Equipment Rental	562	-	-	-	-	-	-	-	-	-	-	562
Insurance	787	-	-	-	-	-	-	-	-	-	-	787
Interest	732	-	-	-	-	-	-	-	-	-	-	732
Internet	818	-	-	-	-	-	-	-	-	-	-	818
Lease - Right of Use Expense	7,637	-	-	-	-	-	-	-	-	-	-	7,637
Office Supplies	13,288	-	-	-	-	-	-	-	-	-	-	13,288
Payroll Taxes	19,229	-	-	-	-	-	-	-	2,822	-	-	22,051
Postage and Freight	9,131	-	-	-	-	-	-	-	327	-	-	9,458
Printing and Publications	33,159	-	-	-	-	-	-	-	322	-	-	33,481
Promotional	34,178	-	-	-	-	-	-	-	-	-	-	34,178
Rent	1,600	-	-	-	-	-	-	-	-	-	-	1,600
Salaries and Wages	235,393	-	-	-	-	-	-	-	35,695	-	-	271,088
Supplies	2,455	-	-	-	-	-	-	-	1,519	-	-	3,974
Travel	11,048	-	-	-	-	-	1,288	-	-	-	-	12,336
Total	<u>\$ 422,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288</u>	<u>\$ -</u>	<u>\$ 40,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,850</u>