

**THOROUGHBRED RETIREMENT  
FOUNDATION, INC.  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2021**

**THOROUGHbred RETIREMENT FOUNDATION, INC.**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2021**

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**THOROUGHBRED RETIREMENT FOUNDATION, INC.**

**Board of Directors**

**2021**

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John B. Cannie, Esq., Secretary

Nicholas Meittinis, DVM

Anita Motion

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DARYL W. TAYLOR, CPA

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April 14, 2022

## 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, 2021, 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, 2021, 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 20-23 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, 2021**

**ASSETS**

Cash and Cash Equivalents	\$	360,762
Restricted Cash		327,540
Contribution Receivables		106,703
Grant Receivable - Employee Retention Tax Credit		126,390
Prepaid Expenses		7,868
Short-Term Investments		321,903
Long-Term Investments		10,238,114
Fixed Assets, Net of Depreciation		<u>187,662</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>11,676,942</u></b>

**LIABILITIES AND NET ASSETS**

Accounts Payable and Accrued Expenses	\$	172,463
Current Portion Note Payable - Adirondack Trust Company		<u>6,177</u>
Total Current Liabilities		<u>178,640</u>
Note Payable - Adirondack Trust Company, Less Current Portion		<u>28,748</u>
Total Liabilities		<u>207,388</u>
Net Assets		
Without Donor Restrictions		903,900
With Donor Restrictions		<u>10,565,654</u>
Total Net Assets		<u>11,469,554</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>11,676,942</u></b>

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

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 1,364,852	\$ 119,564	\$ 1,484,416
In-Kind Contributions	127,773	-	127,773
Grants	423,024	-	423,024
Grant - Paycheck Protection Program Loan Forgiveness	115,706	-	115,706
Miscellaneous Income	9,228	-	9,228
Special Events			
Revenues	153,652	-	153,652
Less: Expenses	(24,453)	-	(24,453)
Investment Return, Net	1,132	-	1,132
Gain (Loss) on Sale of Fixed Assets	100		100
Net Realized and Unrealized Gain on Long-Term Investments	(244)	1,544,777	1,544,533
Net Assets Released from Restrictions			
Appropriation from Donor Endowment	457,544	(457,544)	-
Expiration of Time Restriction	<u>17,001</u>	<u>(17,001)</u>	<u>-</u>
 Total Support and Revenue	 <u>2,645,315</u>	 <u>1,189,796</u>	 <u>3,835,111</u>
<b>Expenses</b>			
Program Services	1,411,518	-	1,411,518
Supporting Services:			
General and Administrative	277,510	-	277,510
Fundraising	<u>417,986</u>	<u>-</u>	<u>417,986</u>
 Total Expenses	 <u>2,107,014</u>	 <u>-</u>	 <u>2,107,014</u>
 <b>Change In Net Assets</b>	 538,301	 1,189,796	 1,728,097
Net Assets, Beginning of Year	<u>365,599</u>	<u>9,375,858</u>	<u>9,741,457</u>
Net Assets, End of Year	<u>\$ 903,900</u>	<u>\$ 10,565,654</u>	<u>\$ 11,469,554</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, 2021**

	Program	General and		Direct	
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>to Donors</u>	<u>Total</u>
Accounting	\$ -	\$ 51,778	\$ -	\$ -	\$ 51,778
Advertising	160.00	3,690	19,636	-	23,486
Appeal and Book	-	-	11,040	-	11,040
Bank Charges	120	9,850	-	-	9,970
Blacksmith	61,892	-	-	-	61,892
Board	394,567	-	-	-	394,567
Contract Labor	9,777	18,087	18,590	-	46,454
Depreciation	58,886	-	-	-	58,886
Dues	200.00	3,187	744	-	4,131
Employee Benefits	35,803	16,007	10,200	-	62,010
Equipment Rental	5,796	4,557	401	-	10,754
Feed, Hay and Straw	216,425	-	-	-	216,425
Insurance	25,137	12,976	-	-	38,113
Interest	1,014	296	135	-	1,445
Internet	20	1,374	942	-	2,336
Medical Supplies	43,930	-	-	-	43,930
Office Supplies	2,973	8,970	2,406	-	14,349
Payroll Taxes	26,769	6,290	18,356	-	51,415
Postage and Freight	1,392	3,730	13,585	-	18,707
Printing and Publications	154.00	866	27,324	-	28,344
Promotional	-	-	53,871	24,453	78,324
Rent	850	10,236	10,236	-	21,322
Repairs and Maintenance	34,477	-	-	-	34,477
Salaries and Wages	330,084	100,247	226,370	-	656,701
Supplies	34,269	5,122	429	-	39,820
Taxes and Licenses	672	7,835	-	-	8,507
Telephone	4,263	3,546	354	-	8,163
Transportation	9,460	-	-	-	9,460
Travel	11,928	6,638	3,367	-	21,933
Training	210	-	-	-	210
Utilities	2,286	2,228	-	-	4,514
Veterinary and Dental Fees	98,004	-	-	-	98,004
	<u>1,411,518</u>	<u>277,510</u>	<u>417,986</u>	<u>24,453</u>	<u>2,131,467</u>
Total Expenses					
Less Expenses Included with Revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,453)</u>	<u>(24,453)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,411,518</u>	<u>\$ 277,510</u>	<u>\$ 417,986</u>	<u>\$ -</u>	<u>\$ 2,107,014</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, 2021**

<b>Cash Flows From Operating Activities</b>	
Change in Net Assets	\$ 1,728,097
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	58,886
Net Unrealized and Realized Gain on Investments	(1,544,533)
(Increase) Decrease in:	
Contribution Receivables	(49,677)
Grant Receivables	(90,390)
Prepaid Expenses	(4,084)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>(21,475)</u>
Net Cash Provided by Operating Activities	<u>76,824</u>
<b>Cash Flows From Financing Activities</b>	
Proceeds from Notes Payable	36,577
Payments on Notes Payable	<u>(1,652)</u>
Net Cash Provided by Financing Activities	<u>34,925</u>
<b>Cash Flows From Investing Activities</b>	
Purchase of Equipment	(75,528)
Increase in Restricted Cash	(102,564)
Increase in Short Term Investments	(321,884)
Decrease in Long Term Investments	<u>457,300</u>
Net Cash (Used) by Investing Activities	<u>(42,676)</u>
<b>Increase in Cash and Cash Equivalents</b>	<b>69,073</b>
Cash and Cash Equivalents, Beginning of Year	<u>291,689</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 360,762</u></u>
<b>Supplemental Cash Flows Information:</b>	
Non-Cash Operating Activities	
In-Kind Contribution	\$ 127,773
Interest Paid	<u><u>\$ 1,445</u></u>

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

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**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, 2021, are fully collectible. Accordingly, no reserve for bad debt exists at December 31, 2021. 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, 2021**  
**(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. 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 2019, 2020, and 2021 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.

**F. 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.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

**G. 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, 2021, consist of the following:

Contract Labor	\$ 1,500
Equipment	900
Farrier	3,772
Feed, Boarding, Hay and Straw	25,884
Medical Supplies	35,344
Supplies	7,186
Special Events	44,240
Veterinary	<u>8,947</u>
Total In-Kind Donations	<u>\$ 127,773</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.

**H. 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.

**I. 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.

**J. Subsequent Events**

The Foundation evaluated events and transactions subsequent to the balance sheet date through April 14, 2022, which is the date the financial statements were available to be issued.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

**K. Donated Assets**

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

**L. 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, 2021, advertising costs totaled \$23,485.

**M. 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, 2021, were comprised of the following:

	Carrying Value
Investments:	
Money Market Funds	\$ 1,094,905
Equities	2,224,904
Exchange Traded Funds	6,860,993
Other Assets	<u>379,215</u>
Total Investments	<u>\$ 10,560,017</u>

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

**Note 3. Fair Value Measurements**

Fair value of assets measured on a recurring basis at December 31, 2021, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
Investments:		
Money Market Funds	\$ 1,094,905	\$ 1,094,905
Equities	2,224,904	2,224,904
Exchange Traded Funds	6,860,993	6,860,993
Other Assets	<u>379,215</u>	<u>379,215</u>
 Total	 <u>\$ 10,560,017</u>	 <u>\$ 10,560,017</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, 2021**  
**(Continued)**

**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, 2021, consists of the following:

Donor restricted for Second Chances Program	\$ 120,394
Donor restricted for Jockey Club	34,266
Donor restricted for MD Capital Improvements	2,388
Donor restricted for Santulli Wallkill Feed	70,004
Donor restricted for Sophies Fund	69,566
Donor restricted for Blackburn	25,912
Donor restricted for TERF Grant - Groom Elite	2,500
Donor restricted for State of California	2,510
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>4,238,114</u>
Total Net Assets with Donor Restrictions	<u>\$ 10,565,654</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



**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

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 assets classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

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, 2021, the Foundation has expended \$691,669 of this appropriation.

Endowment net asset composition by type of fund as of December 31, 2021, 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>4,238,114</u>
Total Funds	<u>\$ 10,238,114</u>

Changes in endowment net assets as of December 31, 2021, are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 9,150,881
Investment Return, Net	1,544,777
Appropriation of Endowment Assets for Expenditure	<u>(457,544)</u>
Endowment Net Assets, End of Year	<u>\$ 10,238,114</u>

**Note 6. Fixed Assets**

Buildings and Leasehold Improvements	\$ 788,082
Equipment and Vehicles	234,352
Office Furniture and Equipment	13,117
Less: Accumulated Depreciation	<u>(847,889)</u>
Total	<u>\$ 187,662</u>

Depreciation expense was \$58,886 for the year ended December 31, 2021.

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

**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, 2021, the Renaissance Farm had five Thoroughbred horses under their care and was paid according to Foundation regulations for care of the horses. During 2021, 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, 2021, was \$18,478. The lease expired as of January 31, 2022. The Foundation did not renew this lease and is currently renting on a month-to-month basis.

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 15<sup>th</sup> and the second installment of \$8,750 due and payable annually on January 1<sup>st</sup>. Actual

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

rental expense to the Foundation for the year ended December 31, 2021, was \$10,000.

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.

**Note 9. 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.

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

Years Ending <u>December 31,</u>		
2022	\$	6,177
2023		7,074
2024		7,368
2025		7,675
2026		<u>6,631</u>
Total	\$	<u><u>34,925</u></u>

**Note 10. Paycheck Protection Program (PPP) Note Payable**

During the year ended December 31, 2021, the Foundation applied for and received a second round 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 \$115,706 was received and deposited during February 2021. During June 2021, 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:

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

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, 2021.

**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, 2021, the Foundation’s uninsured cash balances total approximately \$329,600.

**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 \$511,906 that will be appropriated from the endowment fund in the first quarter of the year, and \$327,540 that will be released from donor-restricted contributions appropriated throughout the year.

Financial assets at year-end	\$ 11,481,412
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	10,238,114
Donor-restricted to care and maintenance of retired thoroughbred horses, with a racing record	327,540
Financial assets available to meet cash needs for general expenditures within one year	\$ 915,758

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**  
**(Continued)**

**Note 13. Subsequent Events**

As of the March 31, 2022, the Endowment value had decreased by \$940,172 to \$9,297,942, which includes the allowed annual 5% transfer to operating cash of \$511,906, fees and charges of \$11,517, dividend income of \$30,431 and a market value decrease of \$447,180.

During February 2022, the Foundation entered into a rental lease agreement to lease office space in a building in Saratoga Springs, NY. The dates of the lease agreement are April 1, 2022 through March 31, 2025. This lease agreement calls for monthly payments of \$1,800.

SUPPLEMENTAL SCHEDULES

**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SUMMARY SCHEDULE OF REVENUES AND EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2021**

	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>Marion Florida</u>	<u>Satellite Farms</u>	<u>Watree SC</u>	<u>Maryland</u>	<u>Totals</u>
<b>Revenue:</b>										
Unrestricted Revenue	\$ 1,970,112	\$ 16,779	\$ 541	\$ 20,804	\$ 13,678	\$ 114,495	\$ 86,984	\$ 12,455	\$ 5,703	<u>\$ 2,241,551</u>
<b>Total Revenue</b>	<u>1,970,112</u>	<u>16,779</u>	<u>541</u>	<u>20,804</u>	<u>13,678</u>	<u>114,495</u>	<u>86,984</u>	<u>12,455</u>	<u>5,703</u>	<u>2,241,551</u>
<b>Program, Administrative and Fundraising Expenses:</b>										
Program Services	274,417	125,650	94,485	45,930	276,621	142,347	419,036	28,779	4,253	1,411,518
Management and General	276,095	-	527	-	-	-	937	-	-	277,559
Fundraising	407,960	-	-	-	-	7,533	2,493	-	-	417,986
<b>Total Program, Administrative and Fundraising Expenses</b>	<u>958,472</u>	<u>125,650</u>	<u>95,012</u>	<u>45,930</u>	<u>276,621</u>	<u>149,880</u>	<u>422,466</u>	<u>28,779</u>	<u>4,253</u>	<u>2,107,063</u>
<b>Excess (Deficiency) of Revenue over Expenses</b>	<u>\$ 1,011,640</u>	<u>\$ (108,871)</u>	<u>\$ (94,471)</u>	<u>\$ (25,126)</u>	<u>\$ (262,943)</u>	<u>\$ (35,385)</u>	<u>\$ (335,482)</u>	<u>\$ (16,324)</u>	<u>\$ 1,450</u>	<u>\$ 134,488</u>



**THOROUGHBRED RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF PROGRAM SERVICES BY LOCATION**  
**For the Year Ended December 31, 2021**

	<u>National</u>	<u>New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>Marion Florida</u>	<u>Satellite Farms</u>	<u>Waterree SC</u>	<u>Maryland</u>	<u>Totals</u>
<b>Program Services:</b>										
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160	\$ -	\$ -	\$ 160
Bank Charges	120	-	-	-	-	-	-	-	-	120
Blacksmith	3,492	6,540	4,585	-	13,570	15,220	17,565	920	-	61,892
Board	-	-	-	-	89,943	-	304,624	-	-	394,567
Contract Labor	1,700	-	452	-	355	5,905	1,365	-	-	9,777
Depreciation	99	9,059	1,416	17,160	2,946	4,925	9,993	12,797	491	58,886
Dues	50	-	-	-	-	-	150	-	-	200
Employee Benefits	8,795	-	9,003	-	18,005	-	-	-	-	35,803
Equipment Rental	900	-	-	-	-	4,896	-	-	-	5,796
Feed, Hay and Straw	25,945	59,666	19,305	13,952	22,543	59,144	7,999	5,107	2,764	216,425
Insurance	19,093	-	1,758	-	4,286	-	-	-	-	25,137
Interest	448	484	44	-	37	-	1	-	-	1,014
Internet	-	-	-	-	-	-	-	20	-	20
Medical Supplies	35,344	75	91	783	1,608	2,162	3,287	250	330	43,930
Office Supplies	810	32	19	-	1,069	934	109	-	-	2,973
Payroll Taxes	11,362	1,784	3,592	-	6,675	1,690	1,666	-	-	26,769
Postage and Freight	1,095	56	24	-	-	-	29	188	-	1,392
Printing and Publications	-	-	-	-	-	-	154	-	-	154
Rent	-	-	-	-	-	-	850	-	-	850
Repairs and Maintenance	-	5,906	2,498	3,217	2,594	12,462	3,549	4,251	-	34,477
Salaries and Wages	139,482	16,224	46,067	-	87,215	20,323	20,773	-	-	330,084
Supplies	7,412	7,864	1,412	1,809	284	7,386	7,769	333	-	34,269
Taxes and Licenses	-	-	-	-	672	-	-	-	-	672
Telephone	-	1,124	-	-	-	3,139	-	-	-	4,263
Transportation	4,580	-	-	-	-	-	4,880	-	-	9,460
Travel	4,018	-	33	-	2,871	160	4,303	543	-	11,928
Training	-	-	-	-	-	-	210	-	-	210
Utilities	-	-	-	1,092	-	-	1,194	-	-	2,286
Veterinary and Dental Fees	9,672	16,836	4,186	7,917	21,948	4,001	28,406	4,370	668	98,004
<b>Total</b>	<b>\$ 274,417</b>	<b>\$ 125,650</b>	<b>\$ 94,485</b>	<b>\$ 45,930</b>	<b>\$ 276,621</b>	<b>\$ 142,347</b>	<b>\$ 419,036</b>	<b>\$ 28,779</b>	<b>\$ 4,253</b>	<b>\$ 1,411,518</b>

**THOROUGHbred RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2021**

<b>General and Administrative:</b>	<u>National</u>	<u>Wallkill New York</u>	<u>Illinois</u>	<u>Blackburn Kentucky</u>	<u>Eastham Farm Virginia</u>	<u>Marion Florida</u>	<u>Satellite Farms</u>	<u>Waterlee SC</u>	<u>Maryland</u>	<u>Totals</u>
Accounting Fees	\$ 51,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,778
Advertising	3,163	-	527	-	-	-	-	-	-	3,690
Bank Charges	9,850	-	-	-	-	-	-	-	-	9,850
Contract Labor	17,857	-	-	-	-	-	230	-	-	18,087
Dues	3,062	-	-	-	-	-	125	-	-	3,187
Employee Benefits	16,007	-	-	-	-	-	-	-	-	16,007
Equipment Rental	4,557	-	-	-	-	-	-	-	-	4,557
Insurance	12,976	-	-	-	-	-	-	-	-	12,976
Interest	296	-	-	-	-	-	-	-	-	296
Internet	1,374	-	-	-	-	-	-	-	-	1,374
Office Supplies	8,970	-	-	-	-	-	-	-	-	8,970
Payroll Taxes	6,290	-	-	-	-	-	-	-	-	6,290
Postage and Freight	3,730	-	-	-	-	-	-	-	-	3,730
Printing and Publications	284	-	-	-	-	-	582	-	-	866
Rent	10,236	-	-	-	-	-	-	-	-	10,236
Salaries and Wages	100,247	-	-	-	-	-	-	-	-	100,247
Supplies	5,122	-	-	-	-	-	-	-	-	5,122
Taxes and Licenses	7,835	-	-	-	-	-	-	-	-	7,835
Telephone	3,546	-	-	-	-	-	-	-	-	3,546
Training	49	-	-	-	-	-	-	-	-	49
Travel	6,638	-	-	-	-	-	-	-	-	6,638
Utilities	2,228	-	-	-	-	-	-	-	-	2,228
<b>Total</b>	<u>\$ 276,095</u>	<u>\$ -</u>	<u>\$ 527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,559</u>

**THOROUGHbred RETIREMENT FOUNDATION, INC.**  
**SCHEDULE OF FUNDRAISING EXPENSES BY LOCATION**  
**For the Year Ended December 31, 2021**

	<u>National</u>	<u>Wallkill</u>	<u>Blackburn</u>	<u>Eastham Farm</u>	<u>Marion</u>	<u>Satellite</u>	<u>Wateree</u>	<u>Totals</u>
	<u>New York</u>	<u>Illinois</u>	<u>Kentucky</u>	<u>Virginia</u>	<u>Florida</u>	<u>Farms</u>	<u>SC</u>	<u>Maryland</u>
<b>Fundraising:</b>								
Advertising	\$ 16,411	\$ -	\$ -	\$ -	\$ 3,225	\$ -	\$ -	\$ -
Appeal and Book	5,620	-	-	-	3,915	1,505	-	-
Contract Labor	18,590	-	-	-	-	-	-	-
Dues	744	-	-	-	-	-	-	744
Employee Benefits	10,200	-	-	-	-	-	-	10,200
Equipment Rental	401	-	-	-	-	-	-	401
Interest	135	-	-	-	-	-	-	135
Internet	942	-	-	-	-	-	-	942
Office Supplies	2,406	-	-	-	-	-	-	2,406
Payroll Taxes	18,356	-	-	-	-	-	-	18,356
Postage and Freight	13,285	-	-	-	-	300	-	13,585
Printing and Publications	26,636	-	-	-	-	688	-	27,324
Promotional	53,871	-	-	-	-	-	-	53,871
Rent	10,236	-	-	-	-	-	-	10,236
Salaries and Wages	226,370	-	-	-	-	-	-	226,370
Supplies	429	-	-	-	-	-	-	429
Telephone	354	-	-	-	-	-	-	354
Travel	2,974	-	-	-	393	-	-	3,367
<b>Total</b>	<u>\$ 407,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,533</u>	<u>\$ 2,493</u>	<u>\$ -</u>	<u>\$ 417,986</u>