



Raemelton Therapeutic Equestrian Center, Inc.

Financial Statements and
Independent Accountant's Review Report

December 31, 2018





Raemelton Therapeutic Equestrian Center, Inc.

December 31, 2018

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Independent Accountant's Review Report

To the Board of Trustees of
Raemelton Therapeutic Equestrian Center, Inc.

We have reviewed the accompanying financial statements of Raemelton Therapeutic Equestrian Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Wilging, Roush & Parsons CPAs

Wilging, Roush & Parsons CPAs
Mansfield, Ohio
June 27, 2019

Raemelton Therapeutic Equestrian Center, Inc.
Statement of Financial Position
December 31, 2018

Assets

Cash and Cash Equivalents	\$ 99,969
Accounts Receivable	7,467
Allocations and Designations Receivable	1,391
Prepaid Expenses	1,688
Property and Equipment, Net	1,507,858
Property Held for Sale	45,961
Assets Held in Trust by Others	45,280
Deposits	<u>585</u>
Total Assets	<u>\$ 1,710,200</u>

Liabilities

Accounts Payable	\$ 1,030
Accrued Expenses	4,646
Deferred Income	6,500
Rental Deposits	<u>500</u>
Total Liabilities	12,677

Net Assets

Without Donor Restrictions	1,629,329
With Donor Restrictions	<u>68,194</u>
Total Net Assets	<u>1,697,523</u>
Total Liabilities and Net Assets	<u>\$ 1,710,200</u>

See accompanying notes and accountant's report

Raemelton Therapeutic Equestrian Center, Inc.

Statement of Activities

For the Year Ended December 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Contributions	\$ 127,573	\$ 102,025	\$ 229,598
United Way	0	23,412	23,412
Program Fees	84,867	0	84,867
Grants	19,500	0	19,500
Special Events - Gross	22,439	0	22,439
Less Cost of Direct Benefit	<u>(5,771)</u>	<u>0</u>	<u>(5,771)</u>
Net Special Events	16,667	0	16,667
Interest Income	35	0	35
Rental Income	13,600	0	13,600
Change in Assts Held by Others	0	(3,868)	(3,868)
Net Assets Released from Restrictions	<u>263,864</u>	<u>(263,864)</u>	<u>0</u>
Total Support and Revenue	526,105	(142,295)	383,810
<u>Expenses</u>			
<u>Program Services</u>			
Program Expenses	206,073	0	206,073
<u>Supporting Services</u>			
Management and General	98,685	0	98,685
Fund Raising	<u>643</u>	<u>0</u>	<u>643</u>
Total Supporting Services Expenses	<u>99,328</u>	<u>0</u>	<u>99,328</u>
Total Expenses	<u>305,401</u>	<u>0</u>	<u>305,401</u>
Increase (Decrease) in Net Assets	220,704	(142,295)	78,409
Net Assets, Beginning of Year	<u>1,408,625</u>	<u>210,489</u>	<u>1,619,114</u>
Net Assets, End of Year	<u>\$ 1,629,329</u>	<u>\$ 68,194</u>	<u>\$ 1,697,523</u>

See accompanying notes and accountant's report

Raemelton Therapeutic Equestrian Center, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program		Supporting Services		Total Supporting Services	Total Expenses
	Services	Supporting Services	Management and General	Fund Raising		
	Program Expense	Management and General	Fund Raising	Total Supporting Services	Total Expenses	
Salaries and Wages	\$ 72,440	\$ 36,883	\$ 0	\$ 36,883	\$ 109,323	
Payroll Taxes	7,368	1,340	0	1,340	8,709	
Total Salaries and Related Expenses	79,808	38,223	0	38,223	118,031	
Equine Expenses	37,093	0	0	0	37,093	
Telephone	2,461	615	0	615	3,076	
Office Expense	0	320	0	320	320	
Printing and Postage	462	462	0	462	925	
Advertising	1,043	0	0	0	1,043	
Utilities	12,492	3,123	0	3,123	15,614	
Repairs and Maintenance	1,208	302	477	779	1,987	
Equipment Rental and Maintenance	427	0	0	0	427	
Travel and Seminars	2,099	0	0	0	2,099	
Dues and Subscriptions	354	0	0	0	354	
State Filing Fees	0	200	0	200	200	
Insurance	8,197	6,253	0	6,253	14,449	
Professional Fees	0	10,330	0	10,330	10,330	
Vehicle Expenses	59	15	0	15	73	
Bad Debts	0	34,959	0	34,959	34,959	
Volunteer Appreciation	0	1,083	0	1,083	1,083	
Program Expenses	7,094	0	0	0	7,094	
Real Estate Taxes	0	2,800	0	2,800	2,800	
Miscellaneous	0	0	166	166	166	
Total Expenses before Depreciation	152,796	98,685	643	99,328	252,124	
Depreciation	53,278	0	0	0	53,278	
Total Expenses	<u>\$ 206,073</u>	<u>\$ 98,685</u>	<u>\$ 643</u>	<u>\$ 99,328</u>	<u>\$ 305,401</u>	

See accompanying notes and accountant's report

Raemelton Therapeutic Equestrian Center, Inc.
Statement of Cash Flow
For the Year Ended December 31, 2018

Cash Flows from Operating Activities

Increase in Net Assets	\$ 78,409
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	53,278
Non-cash Donation - Property Held for Sale	(45,961)
Non-cash Donation - Property and Equipment	(24,693)
(Increase) Decrease in Assets Held in Trust by Others	4,742
(Increase) Decrease in Assets:	
Accounts Receivable	503
Allocations and Designations Receivable	8,744
Pledges Receivable	10,100
Prepaid Expense	1,764
Increase (Decrease) in Liabilities:	
Accounts Payable	(16,057)
Accrued Expenses	(1,119)
Deferred Income	6,500
Net Cash Provided by Operating Activities	76,210

Cash Flows from Investing Activities

Purchase of Property and Equipment	(174,295)
Net Cash Used by Investing Activities	(174,295)

Cash Flows from Financing Activities

None	0
Net Decrease in Cash and Cash Equivalents	(98,085)
Cash and Cash Equivalents, Beginning of Year	198,054
Cash and Cash Equivalents, End of Year	\$ 99,969

See accompanying notes and accountant's report

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies

Nature of Organization

Raemelton Therapeutic Equestrian Center, Inc., (the Organization) provides equine therapy to individuals with physical, social, emotional and sensory disabilities. Equine therapy provides whole-person therapy which assists individuals in improving their gross and fine motor skills, articulation, posture and language abilities.

The Organization was founded in 1995. Since opening its doors, it has grown from serving a small group of thirteen riders, to serving more than 100 students per week. The therapeutic riding center is located on the grounds of a former polo farm in Mansfield, Ohio. The Raemelton facilities include an outdoor riding arena, an indoor riding arena with a heated viewing room, two stables and ample pasture space.

Approximately 65% of the Organization's funding to carry out the above mission is received from private contributions and grants. An additional 22% of funding is received from program fees, 7% is received from special events and rental income, and 6% is received from United Way allocations and designations.

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America as applicable to not-for-profits.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers currency on hand, demand deposits, and short term certificates of deposit with financial institutions to be cash equivalents.

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

Accounts Receivable

Accounts receivable are recorded primarily for program fees and are stated at the estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2018.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledge commitments were received. Amortization of the discounts is included in contribution revenue. The Organization did not receive any conditional pledges for the year ended December 31, 2018. No allowance for doubtful pledges was considered necessary as of December 31, 2018.

Contributions

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Organization determines, based on historical experience and collection efforts, that a contribution receivable (carried over from a prior year) is uncollectible. As of December 31, 2018, contributions receivable were net of an allowance for uncollectible pledges of \$0.

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on the statements of activities on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include all expense categories except for professional fees and client transportation. The basis of allocation of these expenses are based on time records and estimates made by the Organization's management. The financial statements report expenses by function in the statements of functional expenses.

Property and Equipment

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. The Organization capitalizes the cost of property and equipment acquisitions that have a useful life greater than one year. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in the change in net assets.

Depreciation of property and equipment is computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

<u>Asset Description</u>	<u>Life in Years</u>
Buildings and Improvements	15 to 40
Furniture and Equipment	5 to 10
Vehicles	5
Horses	5 to 10
Land Improvements	15

Donations of property and equipment are recorded as contributions at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose based on its fair value. Assets donated with explicit restrictions regarding their use, absent donor stipulations regarding how long those donated assets must be maintained, are recorded as net assets with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions that are temporary in nature to net assets without donor restrictions at that time.

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the year ended December 31, 2018.

Donated Materials and Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported in the net assets with donor restrictions category. Per FASB ASU 2016-14 and absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Some members of the Organization have donated significant amounts of time to the Organization in furthering its programs and objectives. However, no amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Advertising

Advertising costs are expensed when incurred.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization is subject to federal income tax on any unrelated business taxable income. The Organization currently has no unrelated business income. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. No uncertain tax positions were identified by the Organization as of December 31, 2018.

Raemelton Therapeutic Equestrian Center, Inc.
Notes to Financial Statements
December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization's policy is to classify income tax penalties and interest as interest expense in its financial statements. During the year ended December 31, 2018, the Organization incurred no penalties and interest. The Organization's Federal Return of Organizations Exempt from Income Tax (Forms 990) for 2015, 2016, and 2017 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the Organization's 2018 return had not yet been filed.

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method.

Raemelton Therapeutic Equestrian Center, Inc.
Notes to Financial Statements
December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Recently Issued Accounting Standards (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending December 31, 2017.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

As originally stated:

Net Assets, Beginning of Year	
Unrestricted	\$ 938,485
Temporarily Restricted	417,484
Permanently Restricted	<u>0</u>
Total Net Assets, Beginning of Year	<u>\$ 1,355,969</u>

Net Assets, End of Year	
Unrestricted	\$ 1,408,625
Temporarily Restricted	160,467
Permanently Restricted	<u>50,022</u>
Total Net Assets, End of Year	<u>\$ 1,619,114</u>

As restated:

Net Assets, Beginning of Year	
Without Donor Restrictions	\$ 938,485
With Donor Restrictions	<u>417,484</u>
Total Net Assets, Beginning of Year	<u>\$ 1,355,969</u>

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Organization and Significant Accounting Policies (continued)

Recently Issued Accounting Standards (continued)

Net Assets, End of Year	
Without Donor Restrictions	\$ 1,408,625
With Donor Restrictions	<u>210,489</u>
Total Net Assets, End of Year	<u>\$ 1,619,114</u>

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Note 2 - Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Cash and Cash Equivalents	\$ 77,055
Accounts Receivable	<u>7,467</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 84,522</u>

Note 3 - Cash and Cash Equivalents

At December 31, 2018, cash and cash equivalents were comprised of the following:

Richland Bank Checking	\$ 74,962
Richland Bank Savings	2,809
Richland Bank Savings - Capital Improvements	5,229
Richland Bank Checking - Capital Improvements	<u>16,970</u>
Total Cash and Cash Equivalents	<u>\$ 99,969</u>

Raemelton Therapeutic Equestrian Center, Inc.
Notes to Financial Statements
December 31, 2018

Note 4 - Property and Equipment

At December 31, 2018, property and equipment consisted of the following:

Furniture and Equipment	\$ 87,552
Buildings and Improvements	1,234,175
Horses	5,350
Vehicles	5,000
Land Improvements	246,644
Land	<u>190,625</u>
Total	1,769,346
Less: accumulated depreciation	<u>(261,488)</u>
	<u>\$ 1,507,858</u>

Depreciation expense for the year ended December 31, 2018 was \$53,278.

Note 5 - Accounts Receivable

At December 31, 2018, accounts receivable consisted of the following:

Program Fees	<u>\$ 7,467</u>
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Note 6 – Assets Held in Trust by Others

The Organization established an account with the Ashland County Community Foundation (the Foundation) for quasi-endowment purposes and designated itself the beneficiary. Accordingly, the fair value of the fund is recoded as the asset “assets held in trust by others” on the statement of financial position. Since the establishment of the account, a third-party donor has also contributed to the account. The portion of the account which represents third-party donor funds is subject to the variance power of the Foundation’s governing body and is therefore excluded from the Organization’s financial statements.

At December 31, 2018, the account with the Foundation is comprised of the following:

Balance on Statement of Financial Position - Organizational gifts	\$ 45,280
Unrecorded balance subject to variance - Third-party gifts	<u>45,998</u>
Total	<u>\$ 91,278</u>

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 7 – Donated Materials and Services

The Organization records the value of donated goods and services when there is an objective basis available to measure their value. During the year ended December 31, 2018, the Organization was the recipient of donations with a total fair market value, as determined by the contributors, of \$72,059. The breakdown of those items are as follows:

Income:	
Contributions	\$ <u>72,059</u>
Expenses:	
Professional Fees	\$ 1,380
Special Events Direct Costs	<u>25</u>
Total	<u>\$ 1,405</u>
Assets:	
Vehicles	\$ 5,000
Furniture and Equipment	18,577
Buildings	1,117
Property Held for Sale	<u>45,961</u>
Total	<u>\$ 70,654</u>

Note 8 - Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, deposits and deferred income. The recorded values of these financial instruments approximates their fair values based on their short-term nature.

Note 9 - Concentration of Credit Risk

For the year ended December 31, 2018, the Organization received 40% of its total support and revenue from four funding sources.

Note 10 - Advertising

For the year ended December 31, 2018, advertising expense totaled \$1,043.

Raemelton Therapeutic Equestrian Center, Inc.
Notes to Financial Statements
December 31, 2018

Note 11 – Summary of Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Assets Held in Trust by Others – The fair value of the Organization's investments in funds held by others has been established by using the present value of the estimated future cash receipts (an amount approximating the Organization's percentage of the value of the underlying assets of the trust).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those assets and liabilities.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

	Fair Value Measurements on a Recurring Basis of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Held in Trust by Others	\$ 0	\$ 45,280	\$ 0	\$ 45,280
	\$ 0	\$ 45,280	\$ 0	\$ 45,280

Effective for 2011, the FASB Accounting Standards Update, Improving Disclosures about Fair Value Measurements, requires that, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements on a gross basis rather than as one net number (ASU 2010-06). The Organization did not hold any level 3 assets at December 31, 2018.

Raemelton Therapeutic Equestrian Center, Inc.

Notes to Financial Statements

December 31, 2018

Note 11 – Summary of Fair Value Measurements (continued)

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2018.

Note 12 - Net Assets with Donor Restrictions

At December 31, 2018, net assets with donor restrictions are restricted for the following purposes:

Capital Campaign	\$ 7,395
United Way Allocations & Designations	1,391
Riding Scholarships	14,129
Assets Held in Trust by Others	<u>45,280</u>
Total net assets with donor restrictions	<u>\$ 68,194</u>

Net assets were released from donor restrictions during 2018 by incurring expenses, satisfying the restricted purposes, or by the occurrence of other events specified by donors as follows:

Satisfaction of program restrictions:

Capital Campaign	\$ 198,988
United Way Allocations & Designations	32,156
Riding Scholarships	31,846
Distributions from Assets Held in Trust by Others	<u>874</u>
Total net assets released from restrictions	<u>\$ 263,864</u>

Note 13 – Property Held for Sale

During the year ended December 31, 2018, the Organization received donated kitchen equipment. The Organization determined that it would not use or need some of the donated kitchen equipment. Consequently, the items of equipment which would not be utilized by the Organization were made available for sale. In accordance with FASB Accounting Standards Codification (ASC) 360-10-35, the property is included on the statement of financial position as property held for sale.

Note 14 – Subsequent Review

The financial statements considered subsequent events through June 27, 2019, the date which the financial statements were available to be issued.