

**STRONGWATER FARM THERAPEUTIC
EQUESTRIAN CENTER, INC.**



ANNUAL REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
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James L. Hickey, CPA PC

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Strongwater Farm Therapeutic Equestrian Center, Inc.
Tewksbury, Massachusetts

We have audited the accompanying financial statements of Strongwater Farm Therapeutic Equestrian Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

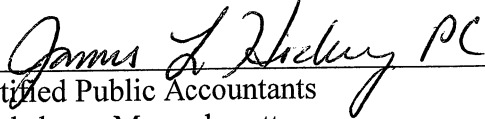
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strongwater Farm Therapeutic Equestrian Center, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants
Tewksbury, Massachusetts

November 12, 2020

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 360,739	\$ 258,704
Accounts receivable	2,795	-
Prepaid insurance	6,063	5,223
Total Current Assets	<u>369,597</u>	<u>263,927</u>
PROPERTY AND EQUIPMENT:		
Computers and equipment	6,909	6,909
Compost system	2,500	2,500
Furniture and fixtures	39,300	39,300
Machinery and equipment	70,956	70,956
Livestock	5,500	5,500
Tack	9,901	9,901
Arena	363,558	51,929
Land and premises	780,000	780,000
Leashold improvements	428,878	428,878
Total Property and Equipment	<u>1,707,502</u>	<u>1,395,873</u>
Less - Accumulated amortization and depreciation	<u>(451,748)</u>	<u>(417,944)</u>
Property and Equipment - net	<u>1,255,754</u>	<u>977,929</u>
TOTAL ASSETS	<u>\$ 1,625,351</u>	<u>\$ 1,241,856</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 34,296	\$ 5,902
Accrued payroll and payroll taxes	31,457	7,880
Total Current Liabilities	<u>65,753</u>	<u>13,782</u>
NET ASSETS		
Unrestricted	807,899	291,867
Temporarily Restricted	751,699	936,207
Total Net Assets	<u>1,559,598</u>	<u>1,228,074</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,625,351</u>	<u>\$ 1,241,856</u>

See Independent Auditor's Report and Notes to Financial Statements.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		2018		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
SUPPORT AND REVENUE:					
Grants and contributions	\$ 634,761	\$ 17,500	\$ 652,261	\$ 213,988	\$ 396,488
Lessons	88,885		88,885	121,776	121,776
Investment income	72		72	31	31
Donated instruction	-		-	45,525	45,525
Donated legal fees	50,664		50,664	35,527	35,527
Donated professional services	18,540		18,540	17,255	17,255
Donated information technology services	1,170		1,170	1,920	1,920
Fundraising and special events	90,484		90,484	92,294	92,294
Net assets released from restrictions:					
Amortization of land and premises	7,879	\$ (7,879)		7,879	\$ (7,879)
Satisfaction of purpose restrictions	194,129	(194,129)		7,093	(7,093)
Total Support and Revenue	1,086,584	(184,508)	902,076	543,288	710,816
OPERATING EXPENSES:					
Program	317,573		317,573	358,743	358,743
General and administrative	170,786		170,786	172,224	172,224
Fundraising and special events	82,193		82,193	82,026	82,026
Total Operating Expenses	570,552		570,552	612,993	612,993
CHANGE IN NET ASSETS					
	516,032	(184,508)	331,524	(69,705)	97,823
NET ASSETS - Beginning of year	291,867	936,207	1,228,074	361,572	1,130,251
NET ASSETS - End of year	\$ 807,899	\$ 751,699	\$ 1,559,598	\$ 291,867	\$ 936,207
				\$ 936,207	\$ 1,228,074

See Independent Auditor's Report and Notes to Financial Statements.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and grants	\$ 828,835	\$ 611,615
Cash paid to suppliers and employees	(415,243)	(474,756)
Interest and dividends received	72	31
Net Cash Provided by Operating Activities	413,664	136,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(311,629)	(7,093)
Net Cash Used by Investing Activities	(311,629)	(7,093)
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,035	129,797
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	258,704	128,907
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 360,739	\$ 258,704
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 331,524	\$ 97,823
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	33,804	34,091
In-kind donations capitalized	-	-
(Increase) decrease in current assets:		
Accounts receivable	(2,795)	2,849
Prepaid insurance	(840)	3,126
Increase (decrease) in current liabilities:		
Accounts payable	28,394	(2,411)
Accrued payroll and payroll taxes	23,577	1,412
Total Adjustments	82,140	39,067
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 413,664	\$ 136,890

NON-CASH TRANSACTIONS:

There were no non-cash transactions in 2019 and 2018.

See Independent Auditor's Report and Notes to Financial Statements.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
FUNCTIONAL EXPENSES:								
Amortization		\$ 7,879	\$	7,879		\$	7,879	\$ 7,879
Depreciation	\$ 25,925			25,925	\$ 26,212			26,212
Donated services- information technology		1,170		1,170		1,920		1,920
Donated services- instructors	-			-	45,525			45,525
Donated services- legal fees		50,664		50,664		35,527		35,527
Donated services- professional services		18,540		18,540		17,255		17,255
Feed, hay and bedding	18,962		\$ 50,078	18,962	25,651		\$ 46,110	25,651
Fundraising				50,078				46,110
Insurance	16,443	5,115		21,558	7,497	5,429		12,926
Licenses and fees		395		395	2,294	355		2,649
Maintenance	22,968			22,968	23,227			23,227
Miscellaneous	1,958	593		2,551	3,515	2,993		6,508
Office		15,646		15,646		11,101		11,101
Payroll taxes	47,201	4,637		51,838	15,335	6,325		21,660
Postage		814		814		782		782
Professional fees		7,055	28,801	35,856		8,623	8,546	17,169
Promotional			3,314	3,314			27,370	27,370
Salaries and wages	159,668	57,170		216,838	176,693	72,885		249,578
Supplies	714			714	2,226			2,226
Telephone		1,108		1,108		1,150		1,150
Veterinarian and farrier	20,892			20,892	29,044			29,044
Volunteer expenses	2,842			2,842	1,524			1,524
TOTAL FUNCTIONAL EXPENSES	\$ 317,573	\$ 170,786	\$ 82,193	\$ 570,552	\$ 358,743	\$ 172,224	\$ 82,026	\$ 612,993

See Independent Auditor's Report and Notes to Financial Statements.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. NATURE OF ACTIVITIES

The Organization is a not-for-profit 501(c)3 organization that provides equestrian therapeutic services to both able-bodied and special needs persons in the Tewksbury community. Many of the Organization's program participants are children with autism and attention deficit disorder, women suffering from domestic violence, individuals recovering from substance abuse, AIDS and other debilitating illnesses. The Organization provides services free of charge to patients of Tewksbury Hospital. It also provides program services to several human service agencies within the community including: The Walnut Street Center- a nonprofit human services agency, The Merrimack School- an alternative high school for adolescents with behavioral and learning disabilities, and The Glennis Sheehan Women's Program- a substance abuse facility.

On April 16, 2013 the Organization changed from Tewksbury Hospital Equestrian Farm, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for Profit Organizations*). Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designed net assets represent amounts the Organization has set aside for a specific purpose.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets at December 31, 2019 and 2018.

Property and Equipment

All property and equipment are stated at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the useful lives of the respective assets are expensed in the year incurred.

Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Equipment is generally depreciated over 3 - 7 years, and buildings and improvements are depreciated over 15 - 99 years. Total depreciation for the years ended December 31, 2019 and 2018 was \$25,925 and \$26,212, respectively.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts Receivable

The Organization extends credit to its clients in the normal course of business. The Organization considers all receivables to be fully collectible, and accordingly, has made no provision for an allowance for doubtful accounts for the years ended December 31, 2019 and 2018.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC). As such, the Organization is not taxed on income derived from its exempt functions. However, the Organization is subject to tax on unrelated business income, which is generated from the Organization's investment income and other activities not related to their stated exempt purposes. The Organization had no significant deferred income tax assets or liabilities as of December 31, 2019 or 2018.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2016, 2017, 2018 and 2019 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended December 31, 2019.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Lesson revenues are generated from lesson sales and are recognized when the earnings process is substantially complete and services have been performed. Deferred revenue represents funds received on advance lesson sales for the following year's lessons. Recognition of revenue is deferred for accounting purposes until the lessons are provided.

Estimates

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 vary from the estimates that were assumed in preparing the financial statements.

3. RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for land and premise. At December 31, 2019 and 2018, the balance of temporarily restricted net assets was \$751,699 and \$936,207, respectively. There are no permanently restricted net assets at December 31, 2019 or 2018.

Net assets were released from donor restrictions during 2019 by incurring expenditures satisfying the purpose specified by the donor as follows:

Amortization of land and premises	\$ 7,879
Design and construction of indoor arena	<u>194,129</u>
Total Net Assets Released from Temporary Restrictions	<u>\$ 202,008</u>

Net assets were released from donor restrictions during 2018 by incurring expenditures satisfying the purpose specified by the donor as follows:

Amortization of land and premises	\$ 7,879
Design and construction of indoor arena	<u>7,093</u>
Total Net Assets Released from Temporary Restrictions	<u>\$ 14,972</u>

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. DONATED SERVICES

Contributed Facility

The Organization has entered into a ninety-nine (99) year lease agreement with the Commonwealth of Massachusetts at the below market rate of \$100 per year plus certain expenses. In accordance with FASB ASC 958-605-30-10 (formerly SFAS No. 116) the donated asset will be recorded as a contribution (an increase in temporarily restricted net assets) with a corresponding entry to the Land and premises account in the Statement of Financial Position. The contribution of \$780,000 is calculated at the net present value of the annual fair value of the free use over the 99 year lease at a discount rate of 3.75%. An entry will be made each year over the life of the lease to reclassify 1/99th of the value from temporarily restricted net assets to unrestricted net assets in an amount equal to amortization expense. For the years ended December 31, 2019 and 2018 amortization expense was \$ 7,879.

Contributed Services

The Organization benefits from the generosity of unpaid volunteers who provide professional services, equestrian instruction, and legal services. To the extent determinable, the values of such contributed services are recorded at the estimated fair value on the date of service and are reported as support revenue and various program and administrative expenses. For the years ended December 31, 2019 and 2018, riding instruction services were \$0 and \$45,525, professional services were \$18,540 and \$17,255, legal fees were \$50,664 and \$35,527, and information technology services were \$1,170 and \$1,920, respectively.

5. CONCENTRATIONS

The Organization maintains deposits with financial institutions that at times exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Organization believes that there is no significant risk with respect to such deposits.

6. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 12, 2020, the date which the financial statements were available to be issued.