

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



ANNUAL REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 136,438	\$ 360,739
Accounts receivable	3,480	2,795
Prepaid insurance	14,569	6,063
Total Current Assets	154,487	369,597
PROPERTY AND EQUIPMENT:		
Computers and equipment	6,909	6,909
Compost system	17,529	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	2,039,761	363,558
Land and premises	780,000	780,000
Leashold improvements	428,878	428,878
Total Property and Equipment	3,398,734	1,707,502
Less - Accumulated amortization and depreciation	(496,243)	(451,748)
Property and Equipment - net	2,902,491	1,255,754
TOTAL ASSETS	\$ 3,056,978	\$ 1,625,351
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 189,911	\$ 34,296
Accrued expenses	19,753	31,457
Deferred revenue	32,450	-
Total Current Liabilities	242,114	65,753
LONG TERM DEBT	992,224	-
NET ASSETS		
Unrestricted	1,132,186	807,899
Temporarily Restricted	690,454	751,699
Total Net Assets	1,822,640	1,559,598
TOTAL LIABILITIES AND NET ASSETS	\$ 3,056,978	\$ 1,625,351

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, 2020 AND 2019

	2020		2019			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Grants and contributions	\$ 612,143	\$ 5,000	\$ 617,143	\$ 634,761	\$ 17,500	\$ 652,261
Lessons	71,414		71,414	88,885		88,885
Investment income	397		397	72		72
Donated legal fees			-	50,664		50,664
Donated professional services	18,550		18,550	18,540		18,540
Donated information technology services	7,500		7,500	1,170		1,170
Fundraising and special events	46,638		46,638	90,484		90,484
Net assets released from restrictions:						
Amortization of land and premises	7,879	\$ (7,879)		7,879	\$ (7,879)	
Satisfaction of purpose restrictions	58,366	(58,366)		194,129	(194,129)	
Total Support and Revenue	822,887	(61,245)	761,642	1,086,584	(184,508)	902,076
OPERATING EXPENSES:						
Program	350,903		350,903	317,573		317,573
General and administrative	129,072		129,072	170,786		170,786
Fundraising and special events	18,625		18,625	82,193		82,193
Total Operating Expenses	498,600		498,600	570,552		570,552
CHANGE IN NET ASSETS	324,287	(61,245)	263,042	516,032	(184,508)	331,524
NET ASSETS - Beginning of year	807,899	751,699	1,559,598	291,867	936,207	1,228,074
NET ASSETS - End of year	\$ 1,132,186	\$ 690,454	\$ 1,822,640	\$ 807,899	\$ 751,699	\$ 1,559,598

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and grants	\$ 766,960	\$ 828,835
Cash paid to suppliers and employees	(462,852)	(415,243)
Investment income	397	72
Net Cash Provided by Operating Activities	304,505	413,664
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,521,030)	(311,629)
Net Cash Used by Investing Activities	(1,521,030)	(311,629)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	992,224	-
Net Cash Provided by Financing Activities	992,224	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(224,301)	102,035
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	360,739	258,704
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 136,438	\$ 360,739
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 263,042	\$ 331,524
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,495	33,804
(Increase) decrease in current assets:		
Accounts receivable	(685)	(2,795)
Prepaid insurance	(8,506)	(840)
Increase (decrease) in current liabilities:		
Accounts payable	(14,587)	28,394
Accrued expenses	(11,704)	23,577
Deferred revenue	32,450	-
Total Adjustments	41,463	82,140
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 304,505	\$ 413,664

NON-CASH TRANSACTIONS:

In 2020 property and equipment additions of \$170,202 were financed through accounts payable.

There were no non-cash transactions in 2019.

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, 2020 AND 2019

	2020			2019				
	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	\$ 36,616			36,616	\$ 25,925			25,925
Donated services- information technology		7,500		7,500		1,170		1,170
Donated services- legal fees				-		50,664		50,664
Donated services- professional services		18,550		18,550		18,540		18,540
Feed, hay and bedding	21,387		\$ 5,746	21,387	18,962		\$ 50,078	18,962
Fundraising		4,409		5,746	16,443			50,078
Insurance	13,225			17,634				21,558
Interest	13,215			13,215				-
Licenses and fees	2,422	250		2,672				395
Maintenance	32,055			32,055	22,968			22,968
Miscellaneous	279			279	1,958			2,551
Office		16,169		16,169		15,646		15,646
Payroll taxes	15,121	4,731		19,852	47,201			51,838
Postage		435		435		814		814
Professional fees		8,028		14,260		7,055		35,856
Promotional			6,232	6,647			28,801	35,856
Salaries and wages	189,973	59,445		249,418	159,668		3,314	216,838
Supplies	2,141			2,141	714			714
Telephone		1,676		1,676		1,108		1,108
Veterinarian and farrier	24,469			24,469	20,892			20,892
Volunteer expenses				-	2,842			2,842
TOTAL FUNCTIONAL EXPENSES	\$ 350,903	\$ 129,072	\$ 18,625	\$ 498,600	\$ 317,573	\$ 170,786	\$ 82,193	\$ 570,552

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

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 and 2019.

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, 2020 and 2019 was \$36,616 and \$25,925, respectively.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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, 2020 or 2019.

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 2017, 2018, 2019 and 2020 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, 2020.

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, 2020 AND 2019

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, 2020 and 2019, the balance of temporarily restricted net assets was \$690,454 and \$751,699, respectively. There are no permanently restricted net assets at December 31, 2020 or 2019.

Net assets were released from donor restrictions during 2020 by incurring expenditures satisfying the purpose specified by the donor as follows:

Amortization of land and premises	\$ 7,879
Composting system	5,500
Program services	12,500
Design and construction of indoor arena	<u>40,366</u>
Total Net Assets Released from Temporary Restrictions	<u>\$ 66,245</u>

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>

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 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, 2020 and 2019, professional services were \$18,550 and \$18,540, legal fees were \$0 and \$50,664, and information technology services were \$7,500 and \$1,170, respectively.

5. LONG-TERM DEBT

On March 9, 2020 the Organization entered into a financing agreement with a family charitable foundation, a related party (see Note 6). The agreement calls for loan proceeds of up to \$1,200,000 to be received with interest payable annually at 2.89%. The outstanding principal is payable on March 1, 2040. There is no penalty for prepayment. At December 31, 2020 the outstanding loan balance was \$992,244 and accrued interest was \$13,215.

On April 29, 2020 the Organization received \$39,300 in loan proceeds from a bank under the Paychecks Protection Program (“PPP”). The PPP established as part of the Coronavirus Aid Relief and Economic Securities Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average to monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes. On November 25, 2020 the Organization was informed by the Small Business Administration that their entire loan was forgiven.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

6. RELATED PARTY TRANSACTIONS

The Organization entered into a financing agreement with a related party. One of the trustees of the family charitable foundation (the creditor) is also a board member of the Organization (the borrower).

7. 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.

8. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 12, 2021, the date which the financial statements were available to be issued.