

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

ANNUAL REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
ANNUAL REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 12

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Strongwater Farm Therapeutic Equestrian Center, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 Strongwater Farm Therapeutic Equestrian Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Strongwater Farm Therapeutic Equestrian Center, 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 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 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 Strongwater Farm Therapeutic Equestrian Center, 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 Strongwater Farm Therapeutic Equestrian Center, Inc.'s ability to continue as a going concern for 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.



Certified Public Accountants
Tewksbury, Massachusetts

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 91,899	\$ 136,438
Accounts receivable	3,990	3,480
Prepaid insurance	16,066	14,569
Total Current Assets	111,955	154,487
PROPERTY AND EQUIPMENT:		
Computers and equipment	6,909	6,909
Compost system	17,529	17,529
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	2,243,614	2,039,761
Land and premises	780,000	780,000
Leashold improvements	428,878	428,878
Total Property and Equipment	3,602,587	3,398,734
Less - Accumulated amortization and depreciation	(576,766)	(496,243)
Property and Equipment - net	3,025,821	2,902,491
TOTAL ASSETS	\$ 3,137,776	\$ 3,056,978

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 8,764	\$ 189,911
Accrued expenses	38,093	19,753
Deferred revenue	33,637	32,450
Total Current Liabilities	80,494	242,114
LONG TERM DEBT	1,100,000	992,224
NET ASSETS		
Without donor restrictions	1,259,707	1,132,186
With donor restrictions	697,575	690,454
Total Net Assets	1,957,282	1,822,640
TOTAL LIABILITIES AND NET ASSETS	\$ 3,137,776	\$ 3,056,978

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, 2021 AND 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE:		Total		Total
Grants and contributions	\$ 480,510	\$ 500,510	\$ 612,143	\$ 617,143
Lessons	229,201	229,201	71,414	71,414
Investment income	79	79	397	397
Donated professional services	19,500	19,500	18,550	18,550
Donated information technology services	-	-	7,500	7,500
Fundraising and special events	117,595	117,595	46,638	46,638
Net assets released from restrictions:				
Amortization of land and premises	7,879	(7,879)	7,879	(7,879)
Satisfaction of purpose restrictions	5,000	(5,000)	58,366	(58,366)
Total Support and Revenue	859,764	866,885	822,887	761,642
OPERATING EXPENSES:				
Program	530,295	530,295	350,903	350,903
General and administrative	151,845	151,845	129,072	129,072
Fundraising and special events	50,103	50,103	18,625	18,625
Total Operating Expenses	732,243	732,243	498,600	498,600
CHANGE IN NET ASSETS	127,521	134,642	324,287	263,042
NET ASSETS - Beginning of year	1,132,186	1,822,640	807,899	1,559,598
NET ASSETS - End of year	\$ 1,259,707	\$ 1,957,282	\$ 1,132,186	\$ 1,822,640

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and grants	\$ 847,983	\$ 766,960
Cash paid to suppliers and employees	(778,529)	(462,852)
Investment income	79	397
Interest paid	(17,995)	-
Net Cash Provided by Operating Activities	51,538	304,505
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(203,853)	(1,521,030)
Net Cash Used by Investing Activities	(203,853)	(1,521,030)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	107,776	992,224
Net Cash Provided by Financing Activities	107,776	992,224
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,539)	(224,301)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,438	360,739
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 91,899	\$ 136,438
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 134,642	\$ 263,042
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	80,523	44,495
(Increase) decrease in current assets:		
Accounts receivable	(510)	(685)
Prepaid insurance	(1,497)	(8,506)
Increase (decrease) in current liabilities:		
Accounts payable	(181,147)	(14,587)
Accrued expenses	18,340	(11,704)
Deferred revenue	1,187	32,450
Total Adjustments	(83,104)	41,463
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 51,538	\$ 304,505

NON-CASH TRANSACTIONS:

In 2021 there were no non-cash transactions.

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

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, 2021 AND 2020

	2021			2020				
	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	\$ 72,644			72,644	\$ 36,616			36,616
Donated services- information technology		-		-		7,500		7,500
Donated services- professional services	29,259	19,500		48,759	21,387	18,550		66,736
Feed, hay and bedding			\$ 35,026	35,026			\$ 5,746	40,772
Fundraising		6,044		6,044				6,044
Insurance	18,131			18,131	13,225	4,409		21,540
Interest	33,390			33,390	13,215			46,605
Licenses and fees	1,850	250		2,100	2,422	250		4,772
Maintenance	56,123			56,123	32,055			88,178
Miscellaneous	515	431		946	279			1,225
Office		16,529		16,529		16,169		32,698
Payroll taxes	20,197	6,170		26,367	15,121	4,731		46,219
Postage		623		623		435		1,058
Professional fees	7,761	11,096	5,362	24,219		8,028	6,232	38,479
Promotional			9,715	9,715			6,647	16,362
Salaries and wages	258,134	78,740		336,874	189,973	59,445		586,292
Supplies	4,178		4,178	8,356	2,141			10,497
Telephone		4,583		4,583		1,676		6,259
Veterinarian and farrier	28,113			28,113	24,469			52,582
TOTAL FUNCTIONAL EXPENSES	\$ 530,295	\$ 151,845	\$ 50,103	\$ 732,243	\$ 350,903	\$ 129,072	\$ 18,625	\$ 498,600

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

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.

Net Assets With Donor Restrictions - Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2021 and 2020 was \$72,644 and \$36,616, respectively.

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, 2021 and 2020.

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, 2021 or 2020.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 2018, 2019, 2020 and 2021 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, 2021.

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.

Revenue Recognition

Contributions and grants are recognized when cash, securities or other assets, an unconditional promise to give, grants, or notification of a beneficial interest, is received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and grants that are restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions and when the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and related payroll taxes, have been allocated among the programs and supporting services benefited based on estimates of time and effort.

3. RESTRICTION ON NET ASSETS

Net assets are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Land and premise	\$ 677,575	\$685,454
Program services	<u>20,000</u>	<u>5,000</u>
	<u>\$697,575</u>	<u>\$690,454</u>

Net assets were released from donor restrictions during 2021 by incurring expenditures satisfying the purpose specified by the donor as follows:

Amortization of land and premises	\$ 7,879
Program services	<u>5,000</u>
Total Net Assets Released from Temporary Restrictions	<u>\$ 12,879</u>

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>

STRONGWATER FARM THERAPEUTIC EQUESTRIAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 amortization expense was \$7,879.

Contributed Services

The Organization benefits from the generosity of unpaid volunteers who provide professional services and information technology 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, 2021 and 2020, contributed professional services were \$19,500 and \$18,550 and contributed information technology services were 0 and \$7,500, 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, 2021 and 2020, the outstanding loan balances were \$1,100,000 and \$992,224, and accrued interest was \$28,610 and \$13,215, respectively.

On February 16, 2021, the Organization received \$44,812 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 June 17, 2021 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, 2021 AND 2020

5. LONG-TERM DEBT – continued

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.

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s total financial assets as of December 31, 2021 and 2020, consisting of cash and accounts receivable, aggregated \$95,889 and \$139,918, respectively. Donor restrictions on financial assets at December 31, 2021 and 2020 aggregated \$20,000 and \$5,000 respectively.

7. RELATED PARTY TRANSACTION

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).

8. 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.

9. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 14, 2022, the date which the financial statements were available to be issued.