

MARYLAND THERAPEUTIC RIDING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

MARYLAND THERAPEUTIC RIDING, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Maryland Therapeutic Riding, Inc.
Crownsville, Maryland

We have audited the accompanying financial statements of Maryland Therapeutic Riding, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 auditors' 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 auditors consider 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.

Maryland Therapeutic Riding, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maryland Therapeutic Riding, 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.

Grandizio, Wilkins, Little & Matthews LLP

Grandizio, Wilkins, Little & Matthews, LLP
October 6, 2021

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 504,244	\$ 188,640
Accounts Receivable	8,197	4,579
Grant Receivable	34,806	-
Investments	192,312	245,712
Unconditional Promises to Give	<u>18,000</u>	<u>304,537</u>
TOTAL CURRENT ASSETS	757,559	743,468
FIXED ASSETS		
Net of Accumulated Depreciation of \$454,260 and \$409,124, Respectively	1,694,419	1,783,187
OTHER ASSETS		
Unconditional Promises to Give	<u>-</u>	<u>106,837</u>
TOTAL ASSETS	<u>\$ 2,451,978</u>	<u>\$ 2,633,492</u>

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 23,938	\$ 17,909
Accrued Payroll	3,378	16,984
Notes Payable	33,625	28,360
	<u>60,941</u>	<u>63,253</u>
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Line-of-Credit	-	225,732
Notes Payable - Long-Term	495,888	408,093
	<u>495,888</u>	<u>633,825</u>
TOTAL LONG-TERM LIABILITIES		
TOTAL LIABILITIES		
	<u>556,829</u>	<u>697,078</u>
NET ASSETS		
Without Donor Restrictions	1,725,010	1,688,033
With Donor Restrictions	170,139	248,381
	<u>1,895,149</u>	<u>1,936,414</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 2,451,978</u>	<u>\$ 2,633,492</u>

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 328,978	\$ 65,482	\$ 394,460
In-Kind Contributions	15,454	-	15,454
Therapeutic Riding Lessons	140,786	-	140,786
Special Events Revenue	117,784	-	117,784
Less: Special Events Costs of Direct Benefits to Donors	(4,804)	-	(4,804)
Other Revenue	32,845	-	32,845
Investment Return, Net	19,692	-	19,692
TOTAL SUPPORT AND REVENUES	650,735	65,482	716,217
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	143,724	(143,724)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	794,459	(78,242)	716,217
EXPENSES			
Program Services	960,711	-	960,711
Management and General	40,253	-	40,253
Fundraising	9,969	-	9,969
TOTAL EXPENSES	1,010,933	-	1,010,933
GAIN ON DISPOSAL OF FIXED ASSETS	172,351	-	172,351
CHANGE IN NET ASSETS FROM OPERATIONS	(44,123)	(78,242)	(122,365)
Other Grant Income - Paycheck Protection Program	81,100	-	81,100
CHANGE IN NET ASSETS FROM NON-OPERATIONS	81,100	-	81,100
CHANGE IN NET ASSETS	36,977	(78,242)	(41,265)
Net Assets - Beginning of Year	1,688,033	248,381	1,936,414
NET ASSETS - END OF YEAR	\$ 1,725,010	\$ 170,139	\$ 1,895,149

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 219,483	\$ 168,172	\$ 387,655
In-Kind Contributions	143,801	-	143,801
Therapeutic Riding Lessons	195,884	-	195,884
Special Events Revenue	321,141	-	321,141
Less: Special Events Costs of Direct Benefits to Donors	(133,491)	-	(133,491)
Investment Return, Net	59,934	3,060	62,994
	<u>806,752</u>	<u>171,232</u>	<u>977,984</u>
TOTAL SUPPORT AND REVENUES			
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>739,103</u>	<u>(739,103)</u>	<u>-</u>
	<u>1,545,855</u>	<u>(567,871)</u>	<u>977,984</u>
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS			
EXPENSES			
Program Services	893,821	-	893,821
Management and General	55,298	-	55,298
Fundraising	12,835	-	12,835
	<u>961,954</u>	<u>-</u>	<u>961,954</u>
TOTAL EXPENSES			
GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS	<u>(48)</u>	<u>-</u>	<u>(48)</u>
CHANGE IN NET ASSETS	583,853	(567,871)	15,982
Net Assets - Beginning of Year	<u>1,104,180</u>	<u>816,252</u>	<u>1,920,432</u>
NET ASSETS - END OF YEAR	<u>\$ 1,688,033</u>	<u>\$ 248,381</u>	<u>\$ 1,936,414</u>

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 2,962	\$ 63	\$ 70	\$ 3,095
Awards and Recognition	683	-	-	683
Bad Debt	378,124	-	-	378,124
Bank Charges	4,735	-	1,068	5,803
Computer/IT	14,006	1,385	-	15,391
Derby Day - Catering	-	-	-	-
Derby Day - Equipment Rentals	-	-	-	-
Derby Day - Advertising	-	-	4,804	4,804
Derby Day - Florist	-	-	-	-
Derby Day - Supplies and Auction Items	-	-	-	-
Depreciation	56,916	3,216	-	60,132
Donor Development and Management	1,811	-	320	2,131
Dues, Subscriptions and Membership	4,970	-	-	4,970
Education and Training	263	-	-	263
Employee Benefits	8,519	3,656	653	12,828
Equipment Rental and Maintenance	-	2,886	-	2,886
Horse Maintenance	45,811	-	-	45,811
In-Kind Expenses	15,454	-	-	15,454
Insurance	27,087	1,440	355	28,882
Interest Expense	19,542	-	-	19,542
Meals and Entertainment	1,568	113	113	1,794
Miscellaneous Expense	6,590	252	1,647	8,489
Office	21,001	-	-	21,001
Payroll Services	6,141	-	-	6,141
Postage and Printing	1,744	-	-	1,744
Professional Fees	18,051	-	349	18,400
Program Events	6,140	-	-	6,140
Rentals	3,630	-	-	3,630
Repairs and Maintenance	6,245	408	136	6,789
Salaries and Payroll Taxes	275,321	25,892	4,252	305,465
Supplies	13,448	-	-	13,448
Taxes - Real Estate, Fees and Interest	2,652	-	-	2,652
Utilities	15,292	942	1,006	17,240
Vehicle Expense	2,005	-	-	2,005
TOTAL EXPENSES	960,711	40,253	14,773	1,015,737
Less: Special Events Expenses Included with Revenue in the Statements of Activities	-	-	(4,804)	(4,804)
TOTAL EXPENSES REPORTED ON THE STATEMENTS OF ACTIVITIES	\$ 960,711	\$ 40,253	\$ 9,969	\$ 1,010,933

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 6,365	\$ 136	\$ 150	\$ 6,651
Awards and Recognition	985	-	-	985
Bank Charges	97	-	22	119
Computer/IT	22,078	2,183	-	24,261
Derby Day - Catering	-	-	35,438	35,438
Derby Day - Equipment Rentals	-	-	52,441	52,441
Derby Day - Advertising	-	-	3,427	3,427
Derby Day - Florist	-	-	2,489	2,489
Derby Day - Supplies and Auction Items	-	-	39,696	39,696
Depreciation	51,034	2,884	-	53,918
Dues, Subscriptions and Membership	2,663	-	-	2,663
Education and Training	4,122	-	-	4,122
Employee Benefits	14,430	6,193	1,105	21,728
Equipment Rental and Maintenance	-	2,844	-	2,844
Horse Maintenance	66,303	-	-	66,303
In-Kind Expenses	143,801	-	-	143,801
Insurance	40,923	2,175	537	43,635
Interest Expense	28,531	-	-	28,531
Meals and Entertainment	2,854	206	206	3,266
Miscellaneous Expense	11,810	451	2,951	15,212
Office	18,582	-	-	18,582
Payroll Services	6,287	-	-	6,287
Postage and Printing	222	-	-	222
Professional Fees	24,131	-	467	24,598
Program Events	18,777	-	-	18,777
Rentals	2,825	-	-	2,825
Repairs and Maintenance	15,500	1,012	337	16,849
Salaries and Payroll Taxes	384,525	36,162	5,938	426,625
Supplies	4,974	-	-	4,974
Taxes - Real Estate, Fees and Interest	2,718	-	-	2,718
Utilities	17,072	1,052	1,122	19,246
Vehicle Expense	2,212	-	-	2,212
TOTAL EXPENSES	893,821	55,298	146,326	1,095,445
Less: Special Events Expenses Included with Revenue in the Statements of Activities	-	-	(133,491)	(133,491)
TOTAL EXPENSES REPORTED ON THE STATEMENTS OF ACTIVITIES	\$ 893,821	\$ 55,298	\$ 12,835	\$ 961,954

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Other Support	\$ 692,632	\$ 1,021,609
Cash Paid to Providers and Support Services	(550,062)	(916,588)
Interest Paid	(19,542)	(28,531)
Other Income - Payroll Protection Program	81,100	-
	<u>204,128</u>	<u>76,490</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>204,128</u>	<u>76,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(12,637)	(77,940)
Proceeds from Sale of Investments	94,487	202,572
Proceeds from the Sale of Fixed Assets	170,896	-
Purchases of Fixed Assets	(8,598)	(171,412)
	<u>244,148</u>	<u>(46,780)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	<u>244,148</u>	<u>(46,780)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on Line-of-Credit	(109,724)	(387)
Repayment on Notes Payable	(22,948)	(51,229)
	<u>(132,672)</u>	<u>(51,616)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	<u>(132,672)</u>	<u>(51,616)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	315,604	(21,906)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>188,640</u>	<u>210,546</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 504,244</u>	<u>\$ 188,640</u>
Cash and Cash Equivalents	\$ 352,105	\$ 120,743
Restricted Cash and Cash Equivalents	<u>152,139</u>	<u>67,897</u>
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 504,244</u>	<u>\$ 188,640</u>

The independent auditors' report and the accompanying notes
are an integral part of these financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Maryland Therapeutic Riding, Inc. "the Organization", was organized on April 4, 1997 for the purpose of providing physical, psychological and social rehabilitation to special needs individuals through the use of therapeutic horseback riding. MTR is supported primarily through donations, special events, and ridership revenue.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all short-term investments with an initial maturity of three (3) months or less to be cash equivalents. Cash and restricted cash includes amounts in an operating cash account and a restricted cash account.

Investments and Investment Return

Investments in marketable securities with readily determinable fair values are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Revenue Recognition

The Organization reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the time period or manner of use of the grant or contribution. Support that is 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 support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization adopted Accounting Standards Codification (ASC) 606 for revenue recognition purposes. Under Accounting Standards Codification (ASC) 606, recognition of revenue related to non-contributions requires evidence of a contract, probable collection of proceeds and completion of performance obligations. Revenue is recognized as a point in time when services are performed. Payments for riding lessons received prior to the service provided are recognized as deferred revenue on the statements of financial position.

Accounts Receivable

Accounts receivable are carried at the invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts. All accounts receivable balances are deemed to be collectible by management at December 31, 2020 and 2019. Therefore, no allowance for doubtful accounts has been established.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Fixed Assets and Depreciation

The Organization capitalizes property and equipment over \$300. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five (5) to forty (40) years.

Income Taxes

The Organization is exempt from federal and state taxation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Organization's evaluation on December 31, 2020 revealed no uncertain tax positions that would have a material impact on the financial statements. The previous three (3) tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

Special Events Revenue

Net special events revenue from ticket sales and sponsorship of fundraising events is recognized as revenue in the period in which the events are held. The costs of direct benefits to attendees such as food, beverages and entertainment are deducted from gross revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of 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.

Functional Allocation of Expenses

Expenses are charged directly to program, management and general, or fundraising categories based on specific identification, when determinable. A reasonable allocation is made for costs not specifically identifiable.

Advertising Expenses

Advertising expenses are charged to operations when incurred. Expenses were \$3,095 and \$6,651 for the years ended December 31, 2020 and 2019, respectively.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization considers all promises to give to be fully collectible as of the date of the statements of financial position. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, with the exception of 2020, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

In 2020, the Organization wrote off a promise to give of \$378,124.

Grant Receivable

Unconditional grants are recognized when awarded. Conditional grants are recorded when such conditions are met. All grants are deemed collectible by management. Therefore, an allowance for doubtful accounts has not been established.

Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission, but these services do not meet the criteria for financial reporting recognition as contributed services.

Date of Management Review

The Organization has evaluated events and transactions that occurred during the period from the date of the financial statements through October 6, 2021, the date the Organization's financial statements were available to be issued. There were no events or transactions, except as disclosed in Note 5, that occurred during the period that materially impacted the amounts or disclosures in the Organization's financial statements.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 2: Fixed Assets

The following is a summary of fixed assets at December 31:

	Estimated Lives	2020	2019
Transportation and Equipment	7 - 10 Years	\$ 36,568	\$ 36,568
Equipment	5 - 10 Years	96,694	92,554
Capital Improvements	5 - 40 Years	1,308,433	1,308,433
Land	-	536,704	576,481
Horses	7-10 Years	19,300	27,295
Construction-in-Process	-	150,980	150,980
 Total		 2,148,679	 2,192,311
 Less: Accumulated Depreciation		 (454,260)	 (409,124)
 NET FIXED ASSETS		 <u>\$ 1,694,419</u>	 <u>\$ 1,783,187</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$60,132 and \$53,918, respectively.

Note 3: Line-of-Credit

On December 31, 2014, the Organization entered into a business equity line note (note) in the amount of \$250,000. The note is secured by land and facilities. The interest rate is the Wall Street Journal Prime Rate, minimum four percent (4%) (effective rate was four percent [4%] and four and three-quarters percent [4.75%] at December 31, 2020 and 2019, respectively). The note is interest only payments and matured on March 25, 2020. On March 6, 2020, the Organization entered into a modification agreement for the line-of-credit. The limit was reduced to \$100,000 and the maturity of the note was extended to March 6, 2025. The Organization had \$-0- and \$225,732 outstanding on this note as of December 31, 2020 and 2019, respectively.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 4: Notes Payable

At December 31, 2020 and 2019, the installment notes payable consisted of the following:

Note Payable To	Interest Rate	2020 Principal Balance	2019 Principal Balance	Collateral	Maturity Date
First Citizens Bank & Trust Company	3.45%	\$ 529,513	\$ 436,453	Land, Other Assets	3/6/2035
Less: Current Portion of Long-Term Debt		<u>(33,625)</u>	<u>(28,360)</u>		
TOTAL LONG-TERM DEBT		<u><u>\$ 495,888</u></u>	<u><u>\$ 408,093</u></u>		

This note payable has a repayment schedule based on a fifteen (15) year amortization table resulting with a balloon payment in 2020. On March 6, 2020, the Organization entered into a Note Modification Agreement with First Citizen Bank & Trust Company. Under the terms of the new agreement, the note payable bears an interest rate of 3.45% and matures on March 6, 2035. Commencing on April 6, 2020, the Organization will make monthly principal and interest payments in the amount of \$3,931.

Principal debt obligation on this note for the next five (5) years and thereafter are as follows:

For the Years Ending December 31,

2021	\$ 33,625
2022	34,803
2023	36,023
2024	37,286
2025	38,593
Thereafter	<u>349,183</u>
TOTAL	<u><u>\$ 529,513</u></u>

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 5: Paycheck Protection Program Loan

On May 7, 2020, the Organization was granted a loan (the "Loan") from First Citizens Bank & Trust Company in the aggregate amount of \$81,100, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has flexibility in determining the forgiveness period (may elect 8 weeks or 24 weeks), the specific start date for the determination of qualifying expenditures, and the specific expenses to be utilized in qualifying for forgiveness under the PPP.

The Organization has accounted for the PPP funding as a conditional grant in the financial statements. As such, the Organization has recorded other grant revenue totaling \$81,100 for the year ended December 31, 2020. Due to the unusual nature of the PPP funding, this revenue has been presented separately in the financial statements under changes in net assets from non-operations. Subsequent to year end, the Organization met the specified forgiveness requirements and was fully forgiven for the amount received.

Note 6: Significant Concentrations

The Organization, at various times during the year, maintained a cash balance in one (1) financial institution in excess of \$250,000, the limit of federal insurance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash balances.

Note 7: Contributed Goods

In 2020, the Organization received miscellaneous in-kind contributions in the amount of \$15,454. These contributions were used for program purposes and were fully expensed in the year ended December 31, 2020.

In 2019, the Organization received miscellaneous in-kind contributions in the amount of \$143,801. These contributions were used for program purposes and were fully expensed in the year ended December 31, 2019.

Note 8: Endowment Funds

The endowment fund was established in 2014. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and a portion of the income from the fund is to be available for operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 8: Endowment Funds (Continued)

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held to perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified as net assets with donor restrictions held to perpetuity is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy: The Organization has set an initial annual spending limit equal to four percent (4%) of the portfolio value. A moving average method of determining year to year spending is utilized. The portfolio value will be determined based on a three (3) year moving average of portfolio market value of the endowment fund on November 30th of each year.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. Endowment assets are invested in accordance with the statement of investment policy objectives and guidelines. The Organization seeks to build endowment assets through additional contributions. The Organization has a policy of appropriating for distribution in accordance with the statement of investment policy objectives and guidelines. The current spending policy is expected to allow the Organization's endowment fund to grow as a result of investment returns. This is consistent with the Organization's objectives to preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

The composition of endowment net assets for this fund, which comprise amounts to be invested in perpetuity, and the changes in endowment net assets as of December 31, 2020 and 2019, are as follows:

	With Donor Restrictions
ENDOWMENT NET ASSETS, JANUARY 1, 2019	\$ 632,820
Realized Gains (Losses)	666
Net Appreciation (Depreciation)	2,394
Transfer from With Donor Restrictions to Without Donor Restrictions	(570,441)
ENDOWMENT NET ASSETS, DECEMBER 31, 2019	65,439
Transfer from With Donor Restrictions to Without Donor Restrictions	(65,439)
ENDOWMENT NET ASSETS, DECEMBER 31, 2020	\$ -

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NOTES TO FINANCIAL STATEMENTS

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Note 8: Endowment Funds (Continued)

In 2020 and 2019, the donor of an unconditional promise to give, changed the terms of the donation of \$65,439 and \$414,692, respectively, to net assets without donor restrictions previously net assets with donor restrictions, that are not to be considered contributions to the endowment fund. In addition, in 2019, another donor changed the terms of the donation, already contributed in the amount of \$155,749, to net assets without donor restrictions previously net assets with donor restrictions, that are not to be considered contributions to the endowment fund. These charges were both accounted for as part of the transfer from with donor restrictions to without donor restrictions in the table above. As of December 31, 2020, all funds previously considered as part of the endowment had a change in terms to make the funds unrestricted and there were no funds remaining in the endowment at December 31, 2020.

Note 9: Net Assets With Donor Restrictions

The following are the net assets with donor restrictions and their purposes at December 31:

	<u>2020</u>	<u>2019</u>
Endowment Funding	\$ -	\$ 65,439
Horse Acquisition	11,000	11,000
Workshop	1,020	1,020
Youth and Military Riding Scholarships	73,197	66,288
Mortgage Campaign	<u>84,922</u>	<u>104,634</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 170,139</u></u>	<u><u>\$ 248,381</u></u>

In 2019, the Organization began a mortgage campaign among board members to raise funds to pay off the outstanding balance of the existing mortgage. For the years ended December 31, 2020 and 2019, the Organization raised a total of \$66,868 and \$111,750, respectively, for the mortgage campaign of which \$18,000 and \$33,250, respectively, is accounted for under unconditional promise to give. Cash and promises to give are restricted for payment towards the existing balance of the outstanding mortgage balance.

MARYLAND THERAPEUTIC RIDING, INC.
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December 31, 2020 and 2019

Note 10: Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following amounts were released from restrictions for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Endowment Funding	\$ 65,439	\$ 570,441
Equipment	-	20,432
Workshop	-	128,605
Youth and Military Riding Scholarships	3,091	19,625
Mortgage Campaign	<u>75,194</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 143,724</u>	<u>\$ 739,103</u>

Note 11: Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three (3) levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

MARYLAND THERAPEUTIC RIDING, INC.
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Note 11: Fair Value Measurements (Continued)

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Money Market Funds: Valued at cost, which approximates fair value.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Stocks and Exchange Traded Funds: Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

DECEMBER 31, 2020

Description	Fair Value	Level 1
Stocks	\$ 24,767	\$ 24,767
Exchange Traded Funds	95,767	95,767
Money Market Funds	26,772	26,772
Mutual Funds	45,006	45,006
TOTAL	<u>\$ 192,312</u>	<u>\$ 192,312</u>

DECEMBER 31, 2019

Description	Fair Value	Level 1
Stocks	\$ 49,540	\$ 49,540
Exchange Traded Funds	150,111	150,111
Money Market Funds	4,613	4,613
Mutual Funds	41,448	41,448
TOTAL	<u>\$ 245,712</u>	<u>\$ 245,712</u>

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Note 12: Promises to Give - Restricted

Unconditional promises to give consist of the following:

	2020	2019
Promises with Donor Restrictions	\$ 18,000	\$ 458,250
Less: Unamortized Discount	-	(46,876)
NET UNCONDITIONAL PROMISES TO GIVE	\$ 18,000	\$ 411,374
Amounts Due In:		
Less than One (1) Year	\$ 18,000	\$ 304,537
One (1) to Five (5) Years	-	106,837
More than Five (5) Years	-	-
TOTAL	\$ 18,000	\$ 411,374

Unconditional promises to give in more than a year are recognized at fair value, using present value techniques and a discount rate of four and one-quarter percent (4.25%), when the donor makes an unconditional promise to give to the Organization.

Uncollectible amounts from unconditional promises to give are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

MARYLAND THERAPEUTIC RIDING, INC.
NOTES TO FINANCIAL STATEMENTS

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Note 13: Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one (1) year of the date of the statement of financial position.

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End		
Cash and Cash Equivalents	\$ 504,244	\$ 188,640
Accounts Receivable	8,197	4,579
Grant Receivable	34,806	-
Investments	192,312	245,712
Unconditional Promises to Give	<u>18,000</u>	<u>411,374</u>
 TOTAL FINANCIAL ASSETS AT YEAR-END	 757,559	 850,305
 Less Those Unavailable to General Expenditures Within One (1) Year, Due to:		
Donor-Restricted for Endowment	-	(65,439)
Donor-Restricted for Programs	(85,217)	(78,308)
Donor-Restricted for Mortgage Campaign	<u>(84,922)</u>	<u>(104,634)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One (1) Year	 <u>\$ 587,420</u>	 <u>\$ 601,924</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's goal is generally to maintain financial assets to meet ninety (90) days of operating expenses (approximately \$249,000). As part of its liquidity policy, excess cash is invested in short-term investments such as money market accounts as longer-term investments in wider markets. The Organization also has a \$100,000 line-of-credit available to meet cash flow needs, if needed.

Note 14: Other Matter

The COVID-19 outbreak is disrupting operations across a range of industries. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and speed of the outbreak, impact on individuals, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.