



Independent Auditors' Report and  
Financial Statements for

**J. F. Shea Therapeutic Riding Center, Inc.**

December 31, 2023 and 2022

# J. F. Shea Therapeutic Riding Center, Inc.

## Contents

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<u>Independent Auditors' Report</u> .....	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position .....	3 - 4
Statements of Activities .....	5 - 6
Statements of Functional Expenses .....	7 - 8
Statements of Cash Flows .....	9
<u>Notes to Financial Statements</u> .....	10 - 26



## **Independent Auditors' Report**

To the Board of Directors  
J. F. Shea Therapeutic Riding Center, Inc.  
San Juan Capistrano, California

### **Opinion**

We have audited the accompanying financial statements of J. F. Shea Therapeutic Riding Center, Inc. (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 J. F. Shea Therapeutic Riding Center, Inc. as of December 31, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of J. F. Shea Therapeutic Riding 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 J. F. Shea Therapeutic Riding 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.

### **Auditors' Responsibility for the Audit of the 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 auditors' 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.

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Misstatements are considered material if there is a substantial likelihood that, individually or in 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 J. F. Shea Therapeutic Riding 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 J. F. Shea Therapeutic Riding Center, Inc.'s ability to continue as a going concern for a 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.



**Redwitz, Inc.**  
Irvine, California  
March 28, 2024

## J.F. Shea Therapeutic Riding Center, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,510,459	\$ 2,502,632
Accounts receivable, net	58,304	247,250
Pledges receivable, net	922,155	358,754
Prepaid expenses	159,190	170,561
Other current assets	4,000	6,200
	<u>3,654,108</u>	<u>3,285,397</u>
Total current assets		
Property and equipment, net of accumulated depreciation	<u>9,861,168</u>	<u>9,400,880</u>
Other assets		
Cash and cash equivalents held for long term purposes - capital projects	1,185,153	541,247
Pledges receivable, net of current portion	89,312	48,087
Deposits	109,673	105,154
Investments held for long term purposes		
Captive insurance	36,000	36,000
Endowments	6,852,184	4,747,346
	<u>8,272,322</u>	<u>5,477,834</u>
Total other assets		
Total assets	<u>\$ 21,787,598</u>	<u>\$ 18,164,111</u>

## J.F. Shea Therapeutic Riding Center, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 98,918	\$ 59,376
Accrued liabilities	302,530	168,396
Deferred revenue	93,731	67,018
Funds held for others	25,956	28,476
	<u>521,135</u>	<u>323,266</u>
Total current liabilities	<u>521,135</u>	<u>323,266</u>
Total liabilities	<u>521,135</u>	<u>323,266</u>
Net assets		
Without donor restrictions		
Undesignated	7,766,448	8,062,710
Designated by the Board for facilities maintenance	473,067	437,584
Designated by the Board for investment - held as quasi-endowments	645,592	561,391
	<u>8,885,107</u>	<u>9,061,685</u>
Total net assets without donor restrictions	<u>8,885,107</u>	<u>9,061,685</u>
With donor restrictions		
Purpose restricted	2,669,007	682,911
Perpetual in nature	9,712,349	8,096,249
	<u>12,381,356</u>	<u>8,779,160</u>
Total net assets with donor restrictions	<u>12,381,356</u>	<u>8,779,160</u>
Total net assets	<u>21,266,463</u>	<u>17,840,845</u>
Total liabilities and net assets	<u>\$ 21,787,598</u>	<u>\$ 18,164,111</u>

## J.F. Shea Therapeutic Riding Center, Inc.

Statements of Activities

For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	2023 Total
Revenue and support			
Gross riding and therapy fees	\$ 1,252,661	\$ -	\$ 1,252,661
Less: financial aid	(268,581)	-	(268,581)
Net riding and therapy fees	984,080	-	984,080
Boarding fees	4,000	-	4,000
Contributions - program	3,504,340	1,323,965	4,828,305
Contributions - capital	701,687	1,259,606	1,961,293
Contributions - endowment	-	1,602,100	1,602,100
In-kind contributions (Note 1)	265,150	-	265,150
Special events (Note 7)	329,421	-	329,421
Facility rental	54,288	-	54,288
Interest and dividends, net of expenses	259,112	7,574	266,686
Net realized and unrealized gains on investments	59,857	429,287	489,144
Net assets released from restrictions			
Satisfaction of program restrictions	974,747	(974,747)	-
Satisfaction of capital restrictions	45,589	(45,589)	-
Total revenue and support	7,182,271	3,602,196	10,784,467
Expenses			
Program services			
Riding and therapy	4,769,351	-	4,769,351
Direct benefits to donors (Note 7)	631,331	-	631,331
Supporting services			
Management and general	424,157	-	424,157
Endowment campaign	38,868	-	38,868
Fundraising	1,495,142	-	1,495,142
Total expenses	7,358,849	-	7,358,849
Increase (decrease) in net assets	(176,578)	3,602,196	3,425,618
Net assets at beginning of year	9,061,685	8,779,160	17,840,845
Net assets at end of year	\$ 8,885,107	\$ 12,381,356	\$ 21,266,463

# J.F. Shea Therapeutic Riding Center, Inc.

## Statements of Activities

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	2022 Total
Revenue and support			
Gross riding and therapy fees	\$ 1,136,521	\$ -	\$ 1,136,521
Less: financial aid	<u>(255,563)</u>	<u>-</u>	<u>(255,563)</u>
Net riding and therapy fees	880,958	-	880,958
Boarding fees	13,300	-	13,300
Contributions - program	3,369,365	975,425	4,344,790
Contributions - capital	48,662	46,500	95,162
Contributions - endowment	-	1,000,600	1,000,600
In-kind contributions (Note 1)	92,313	-	92,313
Special events (Note 7)	286,979	-	286,979
Facility rental	43,043	-	43,043
Interest and dividends, net of expenses	33,105	123,936	157,041
Net realized and unrealized gains (losses) on investments	(87,015)	(698,773)	(785,788)
Net assets released from restrictions			
Satisfaction of program restrictions	812,030	(812,030)	-
Satisfaction of capital restrictions	<u>52,164</u>	<u>(52,164)</u>	<u>-</u>
Total revenue and support	<u>5,544,904</u>	<u>583,494</u>	<u>6,128,398</u>
Expenses			
Program services			
Riding and therapy	4,060,067	-	4,060,067
Direct benefits to donors (Note 7)	576,487	-	576,487
Supporting services			
Management and general	425,983	-	425,983
Endowment campaign	35,220	-	35,220
Fundraising	<u>1,291,555</u>	<u>-</u>	<u>1,291,555</u>
Total expenses	<u>6,389,312</u>	<u>-</u>	<u>6,389,312</u>
Increase (decrease) in net assets	(844,408)	583,494	(260,914)
Net assets at beginning of year	<u>9,906,093</u>	<u>8,195,666</u>	<u>18,101,759</u>
Net assets at end of year	<u>\$ 9,061,685</u>	<u>\$ 8,779,160</u>	<u>\$ 17,840,845</u>

## J.F. Shea Therapeutic Riding Center, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2023

	Program services	Supporting services			2023 Total expenses
	Riding and therapy	Management and general	Endowment campaign	Fundraising	
Salaries	\$ 2,514,133	\$ 273,965	\$ 31,611	\$ 779,028	\$ 3,598,738
Employee benefits	280,690	34,791	4,246	74,391	394,118
Payroll taxes	200,896	20,684	2,085	61,682	285,347
<b>Total personnel expenses</b>	<b>2,995,719</b>	<b>329,440</b>	<b>37,942</b>	<b>915,101</b>	<b>4,278,203</b>
Continuing education	23,940	866	-	19,667	44,472
Credit card and bank charges	24,313	5,710	111	51,528	81,661
Depreciation	401,398	12,017	-	62,801	476,216
Equipment lease and rental	650	464	-	742	1,856
Event auction costs	-	-	-	56,017	56,017
Event décor and supplies	-	-	-	15,965	15,965
Feed and horse care supplies	179,941	-	-	-	179,941
Insurance	49,440	437	-	-	49,877
Marketing and public relations	30,652	6,806	-	104,158	141,616
Miscellaneous	26,098	2,453	-	15,130	43,682
Other campaign direct expenses	-	-	-	170,627	170,627
Professional services	561,785	51,093	263	34,584	647,725
Program and office supplies	86,575	6,086	-	33,454	126,115
Repairs and maintenance	187,145	1,932	552	7,679	197,308
Therapy support services	106,536	-	-	-	106,536
Uncollected fees and pledges	862	-	-	136	998
Utilities and telephone	94,297	6,854	-	7,552	108,703
<b>Total functional expenses</b>	<b>\$ 4,769,351</b>	<b>\$ 424,157</b>	<b>\$ 38,868</b>	<b>\$ 1,495,142</b>	<b>\$ 6,727,518</b>

## J.F. Shea Therapeutic Riding Center, Inc.

### Statements of Functional Expenses

For the Year Ended December 31, 2022

	Program services	Supporting services			2022 Total expenses
	Riding and therapy	Management and general	Endowment campaign	Fundraising	
Salaries	\$ 2,114,401	\$ 274,703	\$ 29,410	\$ 672,843	\$ 3,091,358
Employee benefits	241,203	28,904	2,697	61,815	334,618
Payroll taxes	173,554	21,521	2,233	51,118	248,425
Total personnel expenses	2,529,158	325,128	34,339	785,776	3,674,401
Continuing education	34,560	490	-	9,742	44,792
Credit card and bank charges	22,976	5,522	217	60,703	89,419
Depreciation	355,695	11,728	-	51,600	419,023
Equipment and lease rental	487	348	-	557	1,392
Event auction costs	-	-	-	21,287	21,287
Event décor and supplies	-	-	-	15,664	15,664
Feed and horse care supplies	133,261	-	-	-	133,261
Insurance	44,397	350	-	-	44,747
Marketing and public relations	38,191	10,098	-	103,610	151,899
Miscellaneous	22,071	3,675	-	19,672	45,418
Other campaign direct expenses	3,851	-	-	137,480	141,331
Professional services	427,860	53,717	-	44,868	526,445
Program and office supplies	80,372	7,295	-	27,802	115,469
Repairs and maintenance	152,768	1,853	424	6,464	161,509
Therapy support services	142,810	-	-	-	142,810
Utilities and telephone	71,610	5,778	240	6,330	83,958
Total functional expenses	\$ 4,060,067	\$ 425,983	\$ 35,220	\$ 1,291,555	\$ 5,812,825

**J.F. Shea Therapeutic Riding Center, Inc.**

## Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 3,425,618	\$ (260,914)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(489,144)	785,788
Change in pledge discounts	3,775	4,742
Change in allowance for credit losses-accounts receivable	(862)	-
Change in allowance for credit losses-pledges	(136)	(115)
Change in funds held for others	(2,520)	(2,665)
Contributions restricted for endowment	(1,602,100)	(1,000,600)
Contributions restricted for capital projects	-	(46,500)
Contributions of property, equipment and land	(40,800)	(21,549)
Depreciation	476,216	419,023
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	189,808	271,790
Pledges receivable	(608,265)	1,720,609
Prepaid expenses	11,371	(14,395)
Deposits	(4,519)	4,983
Other current assets	2,200	-
Increase (decrease) in:		
Accounts payable	39,542	18,468
Accrued liabilities	134,134	25,746
Deferred revenue	26,713	1,565
Net cash provided by operating activities	<u>1,561,031</u>	<u>1,905,976</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(895,704)	(271,348)
Net proceeds from sale of donated stock	113	317
Proceeds from funds held in endowment	205,653	
Investment purchases	(1,821,460)	(3,192,356)
Net cash used by investing activities	<u>(2,511,398)</u>	<u>(3,463,387)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	1,602,100	1,000,600
Contributions restricted for capital projects	-	46,500
Net cash provided by financing activities	<u>1,602,100</u>	<u>1,047,100</u>
Net increase (decrease) in cash	651,733	(510,311)
Cash and cash equivalents at beginning of year	<u>3,043,879</u>	<u>3,554,190</u>
Cash and cash equivalents at end of year	<u>\$ 3,695,612</u>	<u>\$ 3,043,879</u>
Supplementary disclosures of cash flows information:		
Cash and cash equivalents	\$ 2,510,459	\$ 2,502,632
Cash and cash equivalents held for long term purposes - capital projects	<u>1,185,153</u>	<u>541,247</u>
Total cash and cash equivalents	<u>\$ 3,695,612</u>	<u>\$ 3,043,879</u>

## **J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### **Note 1 - Nature of organization and summary of significant accounting policies**

The J.F. Shea Therapeutic Riding Center, Inc. (“The Shea Center” or “Organization”), formerly known as the Fran Joswick Therapeutic Riding Center, was founded in 1978 and is a California nonprofit corporation.

The Shea Center is dedicated to improving the lives of people with disabilities through therapeutic horse-related programs. Services offered include physical, occupational and speech therapy utilizing hippotherapy, which is the treatment modality where a physical, occupational, or speech therapist treats a client in an equestrian setting to achieve functional, measurable gains. Adaptive riding – or therapeutic riding – services are also provided and are taught by highly trained equine professionals. The Organization also provides mental health programs through a full-time licensed mental health professional on staff. This clinician conducts equine assisted learning and equine facilitated psychotherapy programs which entail utilizing a horse in a non-mounted setting to increase clients’ emotional awareness and improved mental health function. All of the therapeutic equestrian professionals at The Shea Center receive extensive education and certification through the Professional Association of Therapeutic Horsemanship International (PATH Int’l) as well as through their professional degree programs.

The Shea Center’s clients are diverse in age range and ability level. More than eighty disabilities were treated at The Shea Center in 2023, including 1) autism, 2) cerebral palsy, 3) genetic disorders, 4) PTSD, 5) developmental delay, 6) anxiety, 7) ADHD, 8) stroke, and a number of other physical and cognitive challenges. Clients are as young as two years old and the oldest client served is ninety-five. On average, clients under the age of eighteen comprise over 65 percent of the individuals seen by Shea professionals. The average treatment period for a Shea Center client is 1-5 years.

The Shea Center has internship affiliations with eight university physical, occupational, and speech therapy programs. Chapman University, Cal State Long Beach, Azusa Pacific, and USC are among the schools that have placed their doctoral therapy student interns at The Shea Center.

Equine assisted therapies and other equine-related professionals and administrators have been trained at The Shea Center for many years. Shea-trained professionals work in nearly every state in the United States and in fifteen different countries. More than one hundred therapeutic equestrian facility executive directors have received training from The Shea Center personnel to improve their business acumen in areas that include management, fundraising, board governance, and sustainable business practices for the nonprofit. Any fees received for these training activities are included in revenue. There were no fees received for training during the years ended December 31, 2023 and 2022.

The Shea Center employs fifty-five full and part-time staff and served nearly 1,500 unique clients in 2023. Accordingly, volunteerism is a vital component to support its programs. With over 21,500 volunteer hours given this year by more than 750 volunteers, these community members are a key part of the workforce that assists in providing client services. The minimum age for volunteering is 14 years old. New volunteers go through an extensive orientation and training process, and background checks are performed on those aged eighteen and over. Numerous organizations and schools collaborate with The Shea Center to refer volunteers, including several National Charity League chapters (a mother/daughter volunteer service organization) and multiple high schools.

To improve business operations and outcome measurements, The Shea Center has made a significant investment to implement a business software platform called Salesforce. This software has been customized to meet the needs of The Shea Center, which is now able to report on and manage various aspects of the business with more in-depth information and analysis. It has allowed The Shea Center to increase transparency, results reporting, and efficiency. The first major deployment of the program was completed in 2014 with additional modules deployed in 2015 and 2016. The Shea Center completed the conversion of its donor management system to Salesforce in 2018. In 2019, the Organization migrated to the Salesforce Lightning platform to provide a more customized data interface and increase user efficiency and productivity. Two distinct projects were initiated in 2023 focused on a significant refresh of the first ten years of implementation and use of technology along with a concerted effort to eliminate a large number of third-party platforms that have been increasing in cost, both from fees and the resources/skills needed to maintain

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### Note 1 - Nature of organization and summary of significant accounting policies (continued)

the solutions. This has created the opportunity to improve overall data quality and internal processes. Gifts received from four donors, including the Capital Group Foundation and the David and Margaret Clare Foundation, have made this technology conversion and investments possible.

Salesforce.com, which developed and controls the Salesforce platform, is one of the world's largest software companies. Its platform is supported by many vendors and is used by a broad spectrum of companies around the world. Therefore, management of The Shea Center believes the Organization is not exposed to a significant risk from its increased reliance on this platform.

The Shea Center has also been able to deploy other software and technical advances to serve its clients and mission through the Salesforce platform. In 2019, the Organization completed its first ever peer-reviewed research project thanks to a partnership with Chapman University, who did the data analysis of six months of data for children with autism and cerebral palsy. The Pediatric Disabilities Index Computer Adapted Test, or PEDI-CAT, measures four domains of a child's development. Social/Cognitive, Mobility, Daily Activities and Responsibility are the areas measured. This tool allows The Shea Center to report on how a child is doing and gives tangible examples to improve client treatment and parent support of the child at home. The outcomes of this project were presented at five major conferences in 2019 including the World Congress of Physical Therapy in Geneva, Switzerland. In 2022, The Shea Center published its research paper, "Clinical application and feasibility of utilizing the PEDI-CAT to assess activity and participation among children receiving physical therapy incorporating hippotherapy" in *Physiotherapy Theory and Practice*, an International Journal of Physical Therapy. Both the presentations and the publication were the first for any therapeutic equestrian facility worldwide.

#### COVID-19 pandemic

The Organization continued to work under the CDPH and Cal-OSHA COVID-19 Prevention-Non-Emergency regulations covering testing, isolation, potential exposure and contact tracing. These regulations are effective through February 2025.

In 2022, the Organization returned to a more consistent schedule with a growing demand for services and a return of school-related programs and community events. This continued into 2023 as program services expanded and led The Shea Center to provide over 17,600 client services hours compared to about 17,100 hours in 2022.

The military partnership program with an Orange County veterans center continued to meet the need for equine assisted activities and therapies for combat veterans with PTSD. Adaptive riding services were outdoors and provided for a lower COVID-19 exposure risk environment. The Organization was able to again partner with Camp Pendleton and hold a Military Family Day for active service personnel and their families at The Shea Center. The Shea Center also partnered with the Gary Sinise Foundation and their Snowball Express program supporting surviving member of fallen military combat veterans. The hours associated with all military programs totaled over 3,000 hours for both 2023 and 2022.

Furthermore, the isolation caused by the pandemic led to an increase in anxiety, depression, and mental health issues, especially among The Shea Center clients. In order to meet the needs of clients and the overall community, The Shea Center launched mental health services in 2022 with the addition of a licensed mental health clinician conducting equine-assisted psychotherapy and mental health programs. In 2023, the Organization provided nearly 600 hours of mental health services compared to about 400 hours in 2022.

The Organization will continue to follow the various government policies and advice and, in parallel, will do the utmost to continue operations in the best and safest manner possible without jeopardizing the health of others.

## **J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### **Note 1 - Nature of organization and summary of significant accounting policies (continued)**

#### Basis of presentation

The financial statements of The Shea Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Shea Center has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

#### Contributions and pledges receivable

Unconditional contributions receivable are recorded at estimated net realizable value and are recognized as contribution income in the period in which they are received. The Shea Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### Accounts receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, less an estimated allowance for credit losses, represents their estimated net realizable value. The allowance for credit losses is estimated on the basis of historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances, and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. As of December 31, 2023 and 2022, the allowance for credit losses was \$1,078 and \$1,536, respectively. Write-offs of uncollectible receivables during the years ended December 31, 2023 and 2022 were \$1,320 and \$340, respectively.

#### Bequests and split interest agreements

The Shea Center encourages planned giving by its directors and donors and has been named a beneficiary in a number of known bequests. Bequests are not recognized as support until all of the following conditions are met: the donor passes, the amount of the bequest is known, The Shea Center is certain that, based on the estates' net assets, the amount bequeathed is realizable, and the probate court has declared the will valid.

## **J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### **Note 1 - Nature of organization and summary of significant accounting policies (continued)**

#### Bequests and split interest agreements (continued)

The Shea Center records all such gifts as the value is determined. During the years ended 2023 and 2022, the Organization received funds from donors' estates totaling \$0 and \$3,000,000, respectively. No other planned gifts have been recorded in the accompanying financial statements because donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable.

The Shea Center has been informed that the Organization has been named as the remainder beneficiary in a charitable remainder trust. Under generally accepted accounting principles, the benefits to be received by the Organization related to irrevocable split-interest agreements are generally measured at fair value and recorded as contributions. It is not known whether this trust was established as an irrevocable trust and the value of the underlying investments is not known. Therefore, the remainder benefit has not been recorded in these financial statements.

#### Revenue recognition

The Shea Center generates revenue for program services such as therapy, riding lessons and workshops, and fundraising events, as well as from leased facilities and horse boarding.

The Shea Center recognizes revenue for program services and fundraising events when performance obligations, based on the terms of contracts, are satisfied and in an amount that reflects the consideration that the Organization expects to be entitled to in exchange for services. Revenue recognized on contracts related to therapy, riding lessons, workshops and fundraising events are recognized at a point in time when services are provided or fundraising events occur.

The transaction prices related to program services and fundraising events are confirmed in writing in advance of providing the services or before the event is held. All contract revenues are recognized at the gross amount. However, client services may then be reduced if the client qualifies for financial aid. The Organization's contracts do not include any consideration payable to clients. Noncash consideration is very rare in The Shea Center contracts but may occur when a client provides a service in exchange for therapy services provided by The Organization. In those cases, client-furnished services are valued at their estimated fair value.

Revenue generated from leased facilities is recognized on a straight-line basis over the lease term (note 8). Revenue generated from horse boarding is recognized over the month that the space and care are provided.

#### Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the dates and for the periods presented. Actual results could differ from those estimates.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers cash equivalents to include all highly liquid investments available for current use or available for immediate withdrawal without incurring a significant penalty.

#### Concentrations of credit risk

During 2023 and 2022, The Shea Center maintained a significant portion of its cash accounts at financial institutions located in Southern California. Balances held in these bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, in 2023 the Organization established a "sweep" account with a regional bank to automatically transfer any balance greater than \$250,000 to other financial institutions across the U.S. in order to have those funds insured by the FDIC

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### Note 1 - Nature of organization and summary of significant accounting policies (continued)

#### Concentrations of credit risk (continued)

As of December 31, 2023 and 2022, the uninsured cash balance in these accounts was \$59,855 and \$3,000, respectively. Furthermore, as of December 31, 2023 and 2022, The Shea Center also held \$1,489,745 and \$193,135, respectively, in U.S. Treasury bills which are not FDIC insured but are guaranteed by the U.S. government.

#### Investments

The Shea Center endowment investments consist primarily of mutual funds and are reported at fair value in the statement of financial position. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as gains or losses on investments. Endowment investments at December 31, 2023 and 2022 totaled \$6,852,184 and \$4,747,346, respectively. See Note 12 for more information on this investment.

The Shea Center also has an investment interest in a privately held LLC which was established to meet the requirements of a workers' compensation insurance program. This investment is reported at cost which approximates fair value and totaled \$36,000 at December 31, 2023 and 2022. See Note 11 for more information on this investment.

#### Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation when donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

Expenditures for renewals and betterments are capitalized and maintenance and repairs are charged to expense. Upon retirement or sale, the cost of assets disposed and the accumulated depreciation is removed from the accounts. The resulting gain or loss is credited or charged to income.

The estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Truck and automotive	3 - 7
Fixtures and equipment	5 - 10
Horses	5 - 10
Building improvements	7 - 10
Land improvements	7 - 31.5
Equestrian facility	5 - 31.5
Buildings	31.5 - 39

#### Compensated absences

Full-time employees receive annual benefits for paid time off based on length of employment. Unpaid vacation time off is paid to employees upon termination of employment and is accrued in the financial statements. The Shea Center's accrued compensated absences as of December 31, 2023 and 2022 were \$153,717 and \$125,403, respectively, and these amounts are included in accrued liabilities in the statements of financial position.

#### Deferred revenue

Deferred revenue consists primarily of riding and therapy fees recognized over a future service period.

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 1 - Nature of organization and summary of significant accounting policies (continued)

#### Endowment campaign

In 2018, The Shea Center launched *Always: The Shea Center Endowment Campaign* (the "Campaign"). The purpose of the Campaign is to raise funds to increase the endowment fund with the objective to provide earnings to support client services and The Shea Center's operating needs for the long term and to provide resources to allow it to continue to innovate for the future. The Campaign is focused on cultivating and soliciting prospective donors who are closest to the Organization, including members of the Board of Directors and others with whom the Organization has a pre-existing relationship. In the years ended December 31, 2023 and 2022, the Campaign received funds totaling \$1,616,100 and \$3,051,408, respectively. As of December 31, 2023 and 2022, signed pledges amounting to \$0 and \$17,000, respectively, were committed to be paid in the future to the Organization for the endowment fund.

#### Functional allocation of expenses

Expenses consist of costs related to providing riding and therapy program services, fundraising, and administrative functions, including expenses related to the new endowment campaign. The costs for each of these areas have been summarized on a functional basis in the statement of activities. Costs are charged directly to the functions they benefit. Costs incurred in connection with future activities are deferred until the activity occurs. Compensation to the Chief Executive Officer, Chief Operating Officer, and other employees who are involved in various functions are allocated to each function based on the estimated percentage of their time incurred in them. Facility related expenses are allocated to each function based on square footage utilized by that function. Utility expenses are allocated based on the estimated percentage used for each function. Some marketing and public relations expenses are allocated to the program and administration expenses based on the content of the printed materials and in consideration of the party that receives them.

#### Donated assets, goods and services

The Shea Center has a policy to accept only non-cash contributions that can be utilized in their operation or monetized. Donated marketable securities are sold immediately after receipt of the asset. All non-cash donations are recorded as contributions at their fair values at the date of donation.

Contribution of services that create or enhance non-financial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period in which they are received.

During the years ended December 31, 2023 and 2022, volunteers contributed many hours of service to The Shea Center. However, the value of those services is not reflected in these financial statements because the criteria for recognition have not been satisfied.

The Shea Center received the following donated non-financial assets during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Utilization in programs/activities</u>
Veterinary and horse care	\$ 53,579	\$ 44,719	Program services
Horses and related supplies and equipment	35,000	20,500	Program and supporting services
Facility project services	159,890	1,649	Supporting services
Legal and other services	10,881	20,945	Program services
Office equipment	5,800	4,500	Supporting services
Total	<u>\$ 265,150</u>	<u>\$ 92,313</u>	

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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### Note 1 - Nature of organization and summary of significant accounting policies (continued)

#### Donated assets, goods and services (continued)

Professional services are valued at estimated fair value based on current rates for similar professional services. Equipment is valued using pricing data of similar products under a "like-kind" methodology, considering the condition of the goods at the time of contribution. In-kind contributions of services and equipment were not donor restricted.

#### Income tax status

The Shea Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Shea Center is not a private foundation. The Organization can be liable for income taxes on profits from any unrelated business activity as defined by the Internal Revenue Code.

#### Uncertain tax positions

Management of The Shea Center considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes the liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes The Shea Center met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements. The Shea Center's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

#### Subsequent events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 28, 2024, which is the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require adjustment or disclosure in the financial statements.

#### New accounting standards recently adopted

The Shea Center adopted Accounting Standards Update 2016-02, *Leases (Topic 842)* as of January 1, 2022. The new lease standard requires lessees to recognize substantially all leases on the statement of financial position as both a right-of-use (ROU) asset and a liability. The standard has two types of leases for financial statement recognition purposes: operating leases and finance leases. Operating leases result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases result in an accelerated expense similar to the accounting for capital leases under existing standards. The adoption of the standard did not have a significant impact on the financial statements and there was no change to beginning net assets.

The Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"). ASU No. 2016-13 and all subsequently issued clarifying ASUs introduces a new impairment model known as the current expected credit loss model, based on expected losses to estimate credit losses on certain types of financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other instruments. The pronouncement is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Shea Center adopted the new accounting standard using the modified retrospective method effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 1 - Nature of organization and summary of significant accounting policies (continued)

#### Lease policy

The Organization determines if an arrangement is a lease or a contract which contains a lease, at inception and classifies the lease as operating or finance. Leases are included in ROU assets and lease liabilities in the statement of financial position. The Organization recognizes a ROU lease asset for the right-to-use the underlying assets for the lease term and a lease liability for the obligation to make lease payments. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term.

The Organization made an accounting policy election to not recognize ROU assets and lease liabilities for short-term leases that have terms of 12 months or less at the commencement date and do not include a purchase option that the Organization is more than reasonably certain to exercise. Short-term leases are reported as lease expense on a straight-line basis over the lease term. The Organization also elected an accounting policy to use a risk-free rate for a period comparable with that of the lease term for all leases and to account for lease and non-lease components separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

### Note 2 - Pledges receivable

Pledges receivable represent amounts committed by donors that have not been received by The Shea Center and unconditional pledges are recorded as income when pledged. Unconditional pledges due in the next year are reflected as current pledges and are recorded at their net realizable value. Unconditional pledges due in subsequent years are reflected as long-term pledges and are recorded at the present value of their net realizable value, using risk-free interest rates. The discount rate used on long-term pledges as of December 31, 2023 and 2022 is 4%. The Shea Center uses the allowance method to determine the allowance for credit losses. The allowance is based on experience and management's analysis of specific promises made. Write offs of uncollectible pledges during the years ended December 31, 2023 and 2022 were \$5,000 and \$135, respectively.

The Organization's unconditional pledges receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 924,156	\$ 365,619
Receivable in one to five years	85,000	55,000
Over five years	<u>15,000</u>	<u>-</u>
Total pledges receivable	1,024,156	420,619
Less: discounts to net present value	(10,688)	(6,913)
Less: allowance for credit losses	<u>(2,001)</u>	<u>(6,865)</u>
Net pledges receivable	<u>\$ 1,011,467</u>	<u>\$ 406,841</u>

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 3 - Property and equipment

Property and equipment is comprised of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Truck and automotive	\$ 94,020	\$ 94,020
Fixtures and equipment	1,623,677	1,200,453
Horses	325,756	245,791
Building improvements	48,340	44,440
Land improvements	2,063,482	1,952,197
Equestrian facility	2,263,562	2,226,088
Buildings	4,924,816	4,924,816
Construction in progress	310,884	58,229
Land	<u>3,725,672</u>	<u>3,725,672</u>
	15,380,209	14,471,706
Accumulated depreciation	<u>(5,519,041)</u>	<u>(5,070,826)</u>
	<u>\$ 9,861,168</u>	<u>\$ 9,400,880</u>

Construction in progress consists of projects at various stages of completion and asset purchases which have not yet been placed in service at year-end. Construction in progress is comprised of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Software development	\$ 60,675	\$ 10,688
Horse purchase in-transit and tack	-	30,032
Facilities projects	240,366	15,607
Computer equipment	<u>9,843</u>	<u>1,902</u>
	<u>\$ 310,884</u>	<u>\$ 58,229</u>

The open projects as of December 31, 2023 are expected to be completed during 2024.

The land is subject to a donation agreement and gift deed issued in 2001 which limits the use of the property solely to that of a nonprofit therapeutic horseback riding facility and prohibits any encumbrance or transfer of the property to a third party without the prior approval of the grantor.

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$476,216 and \$419,023, respectively.

### Note 4 - Lease obligations

The Shea Center has a lease for office equipment that has been classified as an operating lease. It requires quarterly payments of \$332 plus applicable taxes and is scheduled to expire in July 2026. The Shea Center did not recognize a right-to-use asset and corresponding liability for this lease because the balances are considered immaterial.

Future lease obligations under the operating lease as of December 31, 2023 are as follows:

<u>Years ending December 31,</u>	
2024	\$ 1,328
2025	1,328
2026	<u>775</u>
Future lease obligations	<u>\$ 3,431</u>

**J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**Note 4 - Lease obligations (continued)**

Rental expense to lease office equipment under the operating lease agreement was \$1,856 and \$1,392 for the years ended December 31, 2023 and 2022.

**Note 5 - Net assets without donor restrictions**

A portion of the net assets without donor restrictions have been set aside by the Organization's Board of Directors for distinct purposes. The facilities maintenance fund was established to set aside funds for future maintenance projects. Additionally, in order to maximize the potential benefit of major unrestricted gifts, the Board commits accumulated funds to be invested as quasi-endowments (Note 12) for the purpose of providing income to sustain operations and programs. During the years ended December 31, 2023, The Shea Center invested \$38,000 and \$0, respectively to the quasi-endowment.

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Board designated net assets		
Facilities maintenance	\$ 473,067	\$ 437,584
Investments held as quasi-endowments	<u>645,592</u>	<u>561,391</u>
Total Board designated net assets	1,118,659	998,975
Undesignated net assets	<u>7,766,448</u>	<u>8,062,710</u>
Total net assets without donor restrictions	<u>\$ 8,885,107</u>	<u>\$ 9,061,685</u>

**Note 6 - Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
General support		
General operations to be used in future periods	\$ 15,000	\$ 29,423
Financial aid	101,486	159,413
Military service programs	251,829	171,269
Increase program capacity	86,213	74,269
Programs for specified groups	148,130	75,815
Feed and care of therapy horses	229,314	187,645
Feed and care of therapy dog	1,000	-
Care for retired therapy horses	4,745	23,432
Sponsorship for a future event	10,000	10,000
Fuel for truck	469	4,121
Tack for horses	285	-
Construction projects	<u>271,457</u>	<u>-</u>
	<u>1,119,928</u>	<u>735,387</u>

**J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**Note 6 - Net assets with donor restrictions (continued)**

Subject to expenditure for specified purposes (continued)

Capital assets		
Design and build a sensory garden	50,000	50,000
Purchase therapy horse	1,091	21,872
Acquire technology	121,604	17,539
Facility improvements	1,156,469	25,735
	<u>1,329,164</u>	<u>115,146</u>
Subject to the Shea Center's spending policy		
Investment gain (loss), net of management fees	219,915	(184,622)
Subject to passage of time		
Pledges receivable	-	17,000
Total subject to expenditure for specified purposes or passage of time		
	<u>2,669,007</u>	<u>682,911</u>
Subject to restriction in perpetuity		
Endowment – original gifts (corpus)	5,986,677	4,370,577
Donated land required to be used as a therapeutic horseback riding facility	3,725,672	3,725,672
	<u>9,712,349</u>	<u>8,096,249</u>
Total subject to restriction in perpetuity		
	<u>9,712,349</u>	<u>8,096,249</u>
Total net assets with donor restrictions		
	<u>\$ 12,381,356</u>	<u>\$ 8,779,160</u>

**Note 7 - Special events**

Special events for the years ended December 31, 2023 and 2022, consisted of the following:

	2023				
	Income	Contributions	Direct benefit to donors	Fundraising costs	Net income
Bar-be-cue	\$ 145,368	\$ 1,194,315	\$ 353,351	\$ 113,388	\$ 872,944
Black tie gala	184,053	729,476	277,980	69,271	566,278
	<u>\$ 329,421</u>	<u>\$ 1,923,791</u>	<u>\$ 631,331</u>	<u>\$ 182,659</u>	<u>\$ 1,439,222</u>
	2022				
	Income	Contributions	Direct benefit to donors	Fundraising costs	Net income
Bar-be-cue	\$ 124,378	\$ 991,496	\$ 312,841	\$ 72,231	\$ 730,802
Black tie gala	162,601	901,002	263,646	42,146	757,811
	<u>\$ 286,979</u>	<u>\$ 1,892,498</u>	<u>\$ 576,487</u>	<u>\$ 114,377</u>	<u>\$ 1,488,613</u>

Generally accepted accounting principles require that revenue and expenses from special events be reported in the statement of activities as gross amounts if the events are part of the Organization's ongoing major activities. The amounts presented above as "Direct benefit to donors" are the costs incurred in the event from which the attendees derive a benefit.

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 8 - Leased facilities

The Shea Center is a lessor in a land lease agreement with a tenant to use a portion of The Shea Center's real property for placement of a communications facility. The lease is classified as an operating lease. The initial lease term was for five years with four automatic renewal options of five years each and was automatically renewed for another five-year term in August 2023. Rental payments in effect as of December 31, 2023 are \$2,285 per month and the amount to be paid in the future is subject to scheduled escalations over the term of the agreement. The Shea Center received rental payments from the tenant totaling \$26,888 and \$26,108 for the years ended December 31, 2023 and 2022, respectively. There were no rents receivable as of December 31, 2023 and 2022.

As of December 31, 2023, the terms of the lease for the communication facility include future minimum rental income as follows:

Years ending December 31,	
2024	\$ 27,690
2025	28,521
2026	29,376
2027	30,258
2028	<u>20,571</u>
Future lease income	<u>\$ 136,416</u>

The Shea Center also has an agreement from 2016 to rent office space on a month-to-month basis to a tenant. Rental payments in effect as of December 31, 2023 are \$1,550 per month. Rent received under this agreement totaled \$18,600 and \$16,800 for the years ended December 31, 2023 and 2022, respectively.

The Shea Center also rents out an on-site cottage to an employee on a month-to-month basis. Monthly payments are \$800. Rent received under this agreement totaled \$8,800 and \$0 for the years ended December 31, 2023 and 2022, respectively.

The Shea Center may rent portions of its facilities under short-term agreements for select events. Payments received under these short-term agreements were \$0 and \$135 for the years ended December 31, 2023 and 2022, respectively.

### Note 9 - Related party transactions

During the years ended December 31, 2023 and 2022, The Shea Center received donations and other fundraising support from Board members totaling \$2,612,476 and \$1,114,723, respectively. Balances of pledges receivable from Board members as of December 31, 2023 and 2022 totaled \$841,845 and \$18,550, respectively.

During the years ended December 31, 2023 and 2022, The Shea Center received donations from employees totaling \$29,361 and \$21,916, respectively. There were no pledges receivable due from employees as of December 31, 2023 and 2022.

Additionally, during the years ended December 31, 2023 and 2022, legal services totaling \$8,636 and \$18,445, respectively were donated by a law firm. A Shea Center board member is a partner in the law firm. Legal services totaling \$2,655 and \$0 were paid to the law firm for services during the years ended December 31, 2023 and 2022, respectively.

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 10 - Retirement plan

The Shea Center has a 403(b) retirement plan for all employees meeting certain eligibility requirements such as length of service, age, and hours of service. Employees may elect to treat a portion of their salary as tax deferred compensation under the plan. The Shea Center has an employer matching program that includes certain limits and qualifications and calls for the Organization to match 60% of employee contributions up to 5% of their salary. The total amount of employee contributions that were matched by The Shea Center in 2023 and 2022 was \$65,436 and \$63,393, respectively. Retirement plan fees for the years ended December 31, 2023 and 2022 totaled \$5,462 and 4,337, respectively.

### Note 11 - Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amount of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and deferred revenue approximated their fair values due to the short-term nature of these instruments.

The Organization's endowment investments and pledges receivable are reported at fair value in the accompanying statement of financial position. The investment in a privately held LLC is recorded at cost which approximates fair value due to the nature of the investment.

The following table sets forth by level within the fair value hierarchy the Organization's assets at fair value as of December 31, 2023 and 2022.

	Fair value measurements using:			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>December 31, 2023</u>				
Cash equivalents – Treasury bills	\$ 1,489,745	\$ 1,489,745	\$ -	\$ -
Investments:				
Mutual funds	6,852,184	6,852,184	-	-
Member units in privately held LLC	36,000	-	-	36,000
Pledges receivable	1,011,467	-	-	1,011,467
Total	<u>\$ 9,389,396</u>	<u>\$ 8,341,929</u>	<u>\$ -</u>	<u>\$ 1,047,467</u>

**J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**Note 11 - Fair value measurements (continued)**

	Fair value measurements using:			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>December 31, 2022</u>				
Cash equivalents – Treasury bills	\$ 193,135	\$ 193,135	\$ -	\$ -
Investments:				
Mutual funds	4,747,346	4,747,346	-	-
Member units in privately held LLC	36,000	-	-	36,000
Pledges receivable	406,841	-	-	406,841
Total	<u>\$ 5,383,322</u>	<u>\$ 4,940,481</u>	<u>\$ -</u>	<u>\$ 442,841</u>

The following represents the changes in fair value measurements using significant unobservable inputs (Level 3):

	Pledges receivable	Investments
Balance, December 31, 2021	\$ 2,132,192	\$ 36,000
Total gains or losses (realized and unrealized)	(4,857)	-
Issuances	2,149,331	-
Settlements	<u>(3,869,825)</u>	<u>-</u>
Balance, December 31, 2022	406,841	36,000
Total gains or losses (realized and unrealized)	1,225	-
Issuances	6,310,575	-
Settlements	<u>(5,707,174)</u>	<u>-</u>
Balance, December 31, 2023	<u>\$ 1,011,467</u>	<u>\$ 36,000</u>

Unrealized gains (losses) totaling \$3,775 and \$4,742 during the years ended December 31, 2023 and 2022, respectively, are included in contribution income in the revenue section of the statement of activities.

**Note 12 - Endowment funds**

The Shea Center's endowment is held in diversified investment funds and is comprised of both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. The classification of these funds is based upon the existence or absence of donor-imposed restrictions.

The Shea Center has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date for the donor restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, endowment funds received on which donors have placed restrictions are classified separately from funds without donor restrictions until they are appropriated for expenditure.

**J.F. Shea Therapeutic Riding Center, Inc.**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**Note 12 - Endowment funds (continued)**

Although UPMIFA does not preclude The Shea Center from spending below the original gift value of donor-restricted endowments, The Shea Center considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Shea Center has adopted a policy to make distributions from the endowment funds based on the average balances over three years. However, with the exception of portfolio management fees charged to those accounts, The Shea Center has retained all endowment contributions and earnings in the accounts and plans to do so until such time as the Board of Directors determines that the funds have grown to a level to support operations and future initiatives while meeting all donor restrictions.

The composition of endowment funds by type of fund as of December 31, 2023 is as follows:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gain (losses) and other	Total with donor restrictions	
Donor-restricted funds - Historical Endowment	\$ -	\$ 86,393	\$ 33,945	\$ 120,338	\$ 120,338
Donor-restricted funds - Always Campaign	-	5,900,284	185,970	6,086,254	6,086,254
Board - designated funds	645,592	-	-	-	645,592
	<u>\$ 645,592</u>	<u>\$ 5,986,677</u>	<u>\$ 219,915</u>	<u>\$ 6,206,592</u>	<u>\$ 6,852,184</u>

The composition of endowment funds by type of fund as of December 31, 2022 is as follows:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gain (losses) and other	Total with donor restrictions	
Donor-restricted funds - Historical Endowment	\$ -	\$ 86,393	\$ 27,196	\$ 113,589	\$ 113,589
Donor-restricted funds - Always Campaign	-	4,284,184	(211,818)	4,072,366	4,072,366
Board - designated funds	561,391	-	-	-	561,391
	<u>\$ 561,391</u>	<u>\$ 4,370,577</u>	<u>\$ (184,622)</u>	<u>\$ 4,185,955</u>	<u>\$ 4,747,346</u>

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 12 - Endowment funds (continued)

The changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Board Designated Endowments Without Donor Restrictions	Endowments With Donor Restrictions	Totals
Endowment funds, December 31, 2021	\$ 631,711	\$ 1,709,384	\$ 2,341,095
Contributions	-	3,051,408	3,051,408
Investment income	20,096	144,044	164,140
Net change in value	(87,332)	(698,773)	(786,105)
Fund management fees	(3,084)	(20,108)	(23,192)
Endowment funds, December 31, 2022	\$ 561,391	\$ 4,185,955	\$ 4,747,346
Contributions	38,000	1,616,100	1,654,100
Investment Income	19,012	174,161	193,173
Net change in value	59,744	429,287	489,031
Fund management fees	(2,978)	(22,835)	(25,813)
Amounts appropriated for expenditure	(29,577)	(176,076)	(205,653)
Endowment funds, December 31, 2023	\$ 645,592	\$ 6,206,592	\$ 6,852,184

Unconditional pledges receivable that are restricted by donors for investment in perpetuity are not considered endowment net assets until the proceeds have been received and added to the investment held for endowment.

Funds with deficiencies: From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires The Shea Center to retain as a fund of perpetual duration. A deficiency of this nature existed as of December 31, 2023 with one gift which has an original gift value of \$1,000,000, a fair value of \$965,429 and a deficiency of \$34,571 and as of December 31, 2022 with two gifts which have an original combined gift value of \$3,000,000, a combined fair value of \$2,763,015 and a combined deficiency of \$236,985. The deficiencies resulted from unfavorable market conditions that occurred shortly after the investment purchase of perpetually restricted contributions occurred.

Return objectives and risk parameters: The Shea Center has adopted investment and spending policies for endowment assets that attempt to produce results that exceed the aggregate costs of portfolio management, the long-term inflation rate and any growth factor that the board may, from time to time, determine appropriate, while assuming a moderate level of investment risk.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Shea Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Shea Center targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy: The Shea Center has a policy of appropriating for expenditure annually using a stipulated percentage of 5% of the endowment's three-year average fair value. During the years ended December 31, 2023 and 2022 the Shea Center's board of directors appropriated for expenditure a total of \$205,653 and \$0, respectively. Earnings from donor restricted endowment contributions are reserved for spending within the designated activities.

## J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### Note 13 – Funds held for others

The Shea Center acts as agent in managing certain funds provided by a specific donor for the benefit of a specific beneficiary. As agent, the Organization collected the cash funds and disburses the funds periodically as required by the beneficiary under the terms specified by the donor. The Organization, in its capacity as agent, does not have variance power over the use of funds or the selection of beneficiary. The balance of funds held for the benefit of others as of December 31, 2023 and 2022 is \$25,956 and \$28,476, respectively.

### Note 14 – Liquidity and availability of financial assets

The Shea Center's primary sources of support are from activities related to contributions from private organizations and individuals, a large portion of which is received during two major fundraising events held each year. Accordingly, the Organization's working capital and cash flows fluctuate during the year as funds are received for those events, which include the Black-Tie Gala in the second quarter of the calendar year and the Bar-be-cue Family Faire in the third quarter. There is also a higher concentration of contributions received in the fourth quarter related to year-end charitable giving. Monthly cash outflows for staff and to manage the herd and facilities are fairly consistent from month to month, but expenditures can fluctuate with the number of clients served and as payments are made for the fundraising events.

To manage liquidity, The Shea Center has an operating cash management policy with an objective to maintain operating cash reserves equal to approximately twelve months of budgeted operating cash requirements. These reserves are invested in liquid assets and are drawn upon as needed during the year to manage cash flow. The policy follows four guiding principles: 1) provide adequate liquidity to fund near-term operations, 2) provide sufficient reserves to give reasonable assurance to absorb a disruption in budgeted cash flow, 3) safeguard and preserve assets, and 4) optimize the return on assets.

The following reflects The Shea Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-placed restrictions or internal designations. Amounts available include donor-restricted funds that are available for expenditure in the following year. Amounts not available include amounts set aside for the endowment fund and donor-restricted amounts that are unavailable for expenditure in the following year. The amount not available also includes funds designated by The Shea Center's Board as reserves for future requirements and quasi-endowment investments, however they could be drawn upon if the Board approved that action.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, including restricted cash	\$ 2,510,459	\$ 2,502,632
Accounts receivable, net, collected in less than one year	58,304	247,250
Pledges receivable, net, collected in less than one year	922,155	358,754
Cash and cash equivalents held for long term purposes	1,185,153	541,247
Investments	<u>6,852,184</u>	<u>4,747,346</u>
Total financial assets, excluding non-current receivables	11,528,255	8,397,229
Donor-imposed or Board-designated restrictions:		
Funds held for others	(25,956)	(28,476)
Cash restricted by donors for specific purposes	(712,086)	(103,663)
Pledges receivable restricted by donors for specific purposes	-	(17,000)
Board-designated reserves for future requirements	(473,067)	(437,584)
Board-designated investments held as quasi-endowments	(645,592)	(561,391)
Endowments with donor restrictions	<u>(6,206,592)</u>	<u>(4,185,955)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 3,464,962</u>	<u>\$ 3,063,160</u>