

**HORN FARM CENTER
FOR AGRICULTURAL EDUCATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

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HAMILTON & MUSSER, P.C.

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ACCOUNTANT'S COMPILATION REPORT

To the Members of
Horn Farm Center for Agricultural Education
York, Pennsylvania

Management is responsible for the accompanying financial statements of Horn Farm Center for Agricultural Education (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2018, and the related statement of support, revenues, and expenses – modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

May 31, 2019

Mechanicsburg, Pennsylvania

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

HORN FARM CENTER FOR AGRICULTURAL EDUCATION
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis
December 31, 2018

Assets	
Cash and Cash Equivalents	
Without Donor Restrictions	\$ 71,685
With Donor Restrictions	11,729
Investments (Note 5)	87,996
Fixed Assets, Net (Note 6)	<u>226,782</u>
 Total Assets	 <u>\$ 398,192</u>
 Liabilities	
Payroll Liabilities	<u>\$ 3,490</u>
 Total Liabilities	 <u>3,490</u>
 Net Assets	
Without Donor Restrictions	382,973
With Donor Restrictions	
Time and Purpose (Note 11)	<u>11,729</u>
 Total Net Assets	 <u>394,702</u>
 Total Liabilities and Net Assets	 <u>\$ 398,192</u>

See Accompanying Notes and Accountant's Compilation Report

HORN FARM CENTER FOR AGRICULTURAL EDUCATION
Statement of Support, Revenues, and Expenses – Modified Cash Basis
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 17,463	\$ 4,750	\$ 22,213
In-Kind Donations (Note 8)	32,501	-	32,501
Rental Income (Note 9)	17,153	-	17,153
Special Events	5,585	-	5,585
Grants	101,600	24,400	126,000
Interest	91	-	91
Investment Loss (Note 5)	(1,835)	-	(1,835)
Education Programs	89,524	-	89,524
Net Assets Released from Restrictions	<u>18,921</u>	<u>(18,921)</u>	<u>-</u>
Total Support and Revenues	<u>281,003</u>	<u>10,229</u>	<u>291,232</u>
Expenses			
Program Services	214,064	-	214,064
Supporting Services			
Management and General	48,230	-	48,230
Fundraising	<u>9,536</u>	<u>-</u>	<u>9,536</u>
Total Expenses	<u>271,830</u>	<u>-</u>	<u>271,830</u>
Change in Net Assets	9,173	10,229	19,402
Net Assets, Beginning of Year	<u>373,800</u>	<u>1,500</u>	<u>375,300</u>
Net Assets, End of Year	<u>\$ 382,973</u>	<u>\$ 11,729</u>	<u>\$ 394,702</u>

See Accompanying Notes and Accountant's Compilation Report

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Horn Farm Center for Agricultural Education (the Organization) is a non-profit organization formed for the purpose of showcasing and interpreting the rich heritage, viable present, and exciting future of York County Agriculture. The Organization is supported primarily through contributions, land rental fees, grants, and educational programs.

Basis of Accounting:

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. The Organization has elected to record investments, fixed assets, and noncash income and expenses.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Organization to report information regarding its assets, liabilities, and net assets and its support, revenues, and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Revenue Recognition:

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Support, Revenues, and Expenses – Modified Cash Basis as net assets released from restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less.

Investments:

Investments are valued at fair market value on a recurring basis in the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued):

For investments that have quoted market prices in active markets, the Organization uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Organization's own determinations of the assumptions that a market participant would use in pricing the asset. The Organization considers all of its investments Level 1.

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in net assets without donor restrictions if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risks in the near term would materially affect investment assets reported in the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis and the Statement of Support, Revenues, and Expenses – Modified Cash Basis.

Fixed Assets:

It is the policy of the Organization to record purchased fixed assets at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. During 2014, the Organization modified its capitalization policy to be in compliance with tangible property regulations. New acquisitions of fixed assets having a low cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related assets.

Taxation:

The Organization is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the Organization in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Organization earns income considered to be unrelated business income. The Organization conducted no activities that were subject to income taxes.

Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2015.

Contributed Services:

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of non-professional, unpaid volunteers have made significant contributions of their time. The value of this contributed time is not reflected in the financial statements for those services since they do not meet the criteria for recognition.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants:

The Organization receives grants primarily from the agricultural industry in support of their educational activity. These grants are generally spent in the year they are received in support of that year's activity.

Use of Estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

During August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes in order to be useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. This includes changing the presentation of functional expenses and net assets. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU No. 2016-14 is to be applied retroactively with transition provisions. The Organization is implementing this standard for the year ended December 31, 2018.

NOTE 3 PENDING NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The ASU introduces a lessee's model that brings most leases onto the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard (ASU No. 2014-09). ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019. The Organization is currently assessing the impact this standard will have on its financial statements.

NOTE 4 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial Assets:	
Cash and Cash Equivalents	\$ 83,414
Investments	<u>87,996</u>
Total Financial Assets	<u>171,410</u>
Less Amounts Not Available to be Used Within One Year	
Net Assets with Donor Restrictions	<u>11,729</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 159,681</u>

The Organization's plan is generally to maintain financial assets to meet 90 days of operating expenses.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 5 INVESTMENTS

Investments at December 31, 2018 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ 91,714	\$ 87,996
Total	\$ 91,714	\$ 87,996

Investment loss is summarized for the year ended December 31, 2018 as follows:

Interest and Dividends	\$ 1,827
Unrealized Loss	<u>(3,662)</u>
Total	<u>\$ (1,835)</u>

NOTE 6 FIXED ASSETS

Fixed assets at December 31, 2018 are summarized as follows:

Buildings and Improvements	\$ 212,196
Leasehold Improvements	23,842
Furniture and Equipment	<u>50,738</u>
	286,776
Less: Accumulated Depreciation	<u>(59,994)</u>
Total	<u>\$ 226,782</u>

The useful lives for purposes of computing depreciation are as follows:

Buildings and Improvements	7-30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	5-15 Years

Depreciation expense was \$11,429 for the year ended December 31, 2018.

NOTE 7 REVENUE CONCENTRATION

One entity contributed 33% of the Organization's total revenue and support for the year ended December 31, 2018. Loss of this contributor could affect the operations of the Organization.

NOTE 8 IN-KIND DONATIONS

The Organization records various types of in-kind donations. The amounts reflected in the accompanying financial statements as in-kind donations are offset by like amounts included in expenses.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 8 IN-KIND DONATIONS (CONTINUED)

The Organization received the following in-kind donations during the year ended December 31, 2018:

Supplies	\$ 1,758
Land Lease	<u>30,743</u>
Total In-Kind Donations	<u>\$ 32,501</u>

The Organization's operations are conducted from donated use of land and facilities. The value of the donated use of land and facilities is recorded in the Statement of Support, Revenues, and Expenses – Modified Cash Basis. In May 2007, the Organization entered into a lease agreement with York County. The Organization leases its 186 acres of land and facilities from York County for \$1 per year and a lease term of 30 years. In April 2016, York County amended the lease for 99 years and removed the cancellation clause.

NOTE 9 RENTAL INCOME

The Organization subleases a portion of the land leased from York County to a local farmer. The Organization entered into two lease agreements with the farmer effective January 1, 2016 through December 31, 2018. The first is for 89 acres to be paid in two equal installments of \$7,120 due in April and November each year. The second is for 18.5 acres to be paid in two equal installments of \$1,196 due in April and November of 2016, and two equal installments of \$1,156 in 2017 and 2018. These payments are included in the Rental Income on the Statement of Support, Revenues, and Expenses – Modified Cash Basis. The Organization received \$17,153 for the year ended December 31, 2018.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 10 FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates expenses to show program and supporting services, based on an estimate of activities and expenses attributable to each category.

The functional expenses are summarized as follows for the year ended December 31, 2018:

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Advertising	\$ 948	\$ 53	\$ 53	\$ 1,054
Conferences and Meetings	2,246	264	132	2,642
Contracted Services	14,407	4,803	-	19,210
Depreciation	9,143	2,286	-	11,429
Education Programs	17,045	-	-	17,045
Employee Benefits	1,778	445	-	2,223
Equipment Maintenance and Repairs	5,193	-	-	5,193
Fundraising	-	-	2,762	2,762
In-Kind Rental	30,743	-	-	30,743
Insurance	1,391	9,306	-	10,697
Maintenance and Repairs	782	68	-	850
Membership and Dues	851	95	-	946
Miscellaneous	1,764	1,408	-	3,172
Payroll Taxes	7,607	1,426	475	9,508
Postage	21	305	81	407
Printing	393	26	105	524
Produce Sales	18,452	-	-	18,452
Professional Fees	-	5,302	-	5,302
Real Estate Taxes	-	1,817	-	1,817
Salaries	88,034	16,506	5,502	110,042
Supplies	3,609	963	241	4,813
Telephone	1,296	370	185	1,851
Utilities	<u>8,361</u>	<u>2,787</u>	<u>-</u>	<u>11,148</u>
Total Expenses	<u>\$ 214,064</u>	<u>\$ 48,230</u>	<u>\$ 9,536</u>	<u>\$ 271,830</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Time and purpose restricted net assets are comprised of the following at December 31, 2018:

Stream ReLeaf	\$ 11,158
Woodland Restoration	<u>571</u>
Total	<u>\$ 11,729</u>

NOTE 12 CONCENTRATED CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). Organization accounts at one financial institution may have exceeded the insurance obtained through the FDIC at various times throughout the year. There were no amounts in excess of the FDIC limit at December 31, 2018.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 13 ADVERTISING

The Organization expenses advertising costs as incurred. Advertising costs were \$1,054 for the year ended December 31, 2018.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2019, which is the date the financial statements were available to be issued.