

**HORN FARM CENTER
FOR AGRICULTURAL EDUCATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020
AND
ACCOUNTANT'S COMPILATION REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Table of Contents

For the Year Ended December 31, 2020

<u>CONTENTS</u>	<u>PAGE</u>
Accountant's Compilation Report	1
Financial Statements:	
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis	2
Statement of Support, Revenues, and Expenses – Modified Cash Basis	3
Statement of Functional Expenses – Modified Cash Basis	4
Notes to Financial Statements	5-11



HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

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, 2020, and the related statements of support, revenues, and expenses – modified cash basis and functional 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. We do not express an opinion, a conclusion, nor provide any 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.

Emphasis of a Matter

Impact of COVID-19

As further explained in Note 14, Horn Farm Center for Agricultural Education is operating in an environment that has been economically impacted by the COVID-19 pandemic.

Prior Period Adjustment

As further explained in Note 11, in order to properly reflect a beneficial interest in a perpetual trust, there was a prior period adjustment made to the beginning net assets of Horn Farm Center for Agricultural Education in the amount of \$2,134,531 for the year ended December 31, 2020.

August 31, 2021

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, 2020

Assets	
Cash and Cash Equivalents	\$ 217,234
Investments (Note 4)	127,173
Fixed Assets, Net (Note 5)	206,022
Beneficial Interest in Perpetual Trust (Note 6)	<u>2,275,908</u>
 Total Assets	 <u>\$ 2,826,337</u>
 Liabilities	
Payroll Liabilities	\$ <u>6,528</u>
 Total Liabilities	 <u>6,528</u>
 Net Assets	
Without Donor Restrictions	370,460
With Donor Restrictions (Note 10)	<u>2,449,349</u>
 Total Net Assets	 <u>2,819,809</u>
 Total Liabilities and Net Assets	 <u>\$ 2,826,337</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenues			
Contributions	\$ 36,401	\$ 10,000	\$ 46,401
In-Kind Donations (Note 8)	37,200	-	37,200
Rental Income	19,974	-	19,974
Grants – Government	-	76,640	76,640
Interest	412	-	412
Investment Income (Note 4)	97,528	-	97,528
Education Programs	48,761	-	48,761
Miscellaneous	1,305	-	1,305
Change in Value of Beneficial Interest in Perpetual Trust	-	141,377	141,377
Net Assets Released from Restrictions	<u>15,882</u>	<u>(15,882)</u>	<u>-</u>
Total Operating Support and Revenues	<u>257,463</u>	<u>212,135</u>	<u>469,598</u>
Operating Expenses			
Program Services	239,453	-	239,453
Supporting Services			
Management and General	46,743	-	46,743
Fundraising	<u>17,717</u>	<u>-</u>	<u>17,717</u>
Total Operating Expenses	<u>303,913</u>	<u>-</u>	<u>303,913</u>
Non-Operating Support and Revenues			
Payroll Protection Program Loan Forgiveness (Note 7)	-	36,800	36,800
Net Assets Released from Restrictions	<u>36,800</u>	<u>(36,800)</u>	<u>-</u>
Total Non-Operating Support and Revenues	<u>36,800</u>	<u>-</u>	<u>36,800</u>
Change in Net Assets	(9,650)	212,135	202,485
Net Assets, Beginning of Year	380,110	102,683	482,793
Prior Period Adjustment (Note 11)	<u>-</u>	<u>2,134,531</u>	<u>2,134,531</u>
Net Assets, End of Year	<u>\$ 370,460</u>	<u>\$ 2,449,349</u>	<u>\$ 2,819,809</u>

See Accompanying Notes and Accountant's Compilation Report

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Statement of Functional Expenses – Modified Cash Basis

For the Year Ended December 31, 2020

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 144	\$ 102	\$ -	\$ 246
Conferences and Meetings	167	-	450	617
Contracted Services	88	-	-	88
Depreciation	8,204	-	2,050	10,254
Dues and Memberships	50	-	100	150
Education Programs	7,303	-	-	7,303
Fundraising Expense	-	-	216	216
In-Kind Rent Expense	37,200	-	-	37,200
Information Technology	2,442	1,528	-	3,970
Insurance	1,507	8,403	-	9,910
Miscellaneous	-	139	-	139
Occupancy	14,914	1,909	-	16,823
Office Expenses	3,502	1,706	550	5,758
Payroll Taxes	11,824	2,216	739	14,779
Produce Sales	4,939	-	-	4,939
Professional Fees	40	3,165	4,500	7,705
Salaries	145,796	27,336	9,112	182,244
Staff Development	1,095	-	-	1,095
Travel and Vehicle Maintenance	<u>238</u>	<u>239</u>	<u>-</u>	<u>477</u>
Total Operating Expenses	<u>\$ 239,453</u>	<u>\$ 46,743</u>	<u>\$ 17,717</u>	<u>\$ 303,913</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, 2020

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, 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, beneficial interest in a perpetual trust, payroll liabilities, and in-kind donations.

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.

Contributions:

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.

Fair Value Measurements:

Financial instruments 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, 2020

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

Fair Value Measurements (Continued):

For financial instruments that have quoted market prices in active markets, the Organization uses the quoted market prices as fair values and includes those financial instruments 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 financial instruments 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 its investments to be 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.

Financial instruments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain financial instruments and the level of uncertainty related to changes in the value of financial instruments, 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, 2017.

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, 2020

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.

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.

Functional Allocation of Expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Support, Revenues, and Expenses – Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Paycheck Protection Program Loan:

The Organization has elected to account for the Paycheck Protection Program (PPP) Loan as a contribution up to the amount eligible for loan forgiveness in accordance with FASB ASC 958-605.

NOTE 2 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, 2021. The Organization is currently assessing the impact this standard will have on its financial statements.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

Financial Assets:	
Cash and Cash Equivalents	\$ 217,234
Investments	<u>127,173</u>
Total Financial Assets	<u>344,407</u>
Less Amounts Not Available to be Used Within One Year	
Net Assets with Donor Restrictions (Excluding Beneficial Interest in Perpetual Trust)	<u>173,441</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 170,966</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, 2020

NOTE 4 INVESTMENTS

Investments at December 31, 2020 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ 96,719	\$ 127,173
Total	<u>\$ 96,719</u>	<u>\$ 127,173</u>

Investment income is summarized for the year ended December 31, 2020 as follows:

Interest and Dividends	\$ 2,784
Unrealized Gain on Investments	15,789
Distributions from Perpetual Trust	<u>78,955</u>
Total	<u>\$ 97,528</u>

NOTE 5 FIXED ASSETS

Fixed assets at December 31, 2020 are summarized as follows:

Buildings and Improvements	\$ 211,753
Leasehold Improvements	23,842
Furniture and Equipment	<u>51,183</u>
	286,778
Less: Accumulated Depreciation	<u>(80,756)</u>
Total	<u>\$ 206,022</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 \$10,254 for the year ended December 31, 2020.

NOTE 6 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is named as beneficiary under an irrevocable perpetual trust. The Organization's beneficiary interest allocation for this trust was 50% for the year ended December 31, 2020. The following is a summary of the activity for the year ended December 31, 2020:

Beginning Balance	\$ 2,134,531
Contributions	-
Change in Value of Beneficial Interest in Perpetual Trusts	<u>141,377</u>
Ending Balance	<u>\$ 2,275,908</u>

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 6 BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

The fair value of the Organization's beneficial interest in perpetual trust is determined based on the Organization's interest in the fair values of the underlying assets, which approximates the present value of the estimated cash flows to be received from the trust. The present value measured is utilized as the underlying assets of the trust are not in the Organization's control. The assumptions are developed, based on the best information available, which is a Level 3 valuation input, as described in Note 1 – "Fair Value Measurements."

NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, as part of the CARES Act, the Organization received a PPP loan from York Traditions Bank through the U.S. Small Business Administration (SBA) for \$36,800. The Organization has met the Program's eligibility criteria and intended to apply for forgiveness at December 31, 2020. Therefore, in accordance with FASB ASC 958-605, the Organization is including these funds as a restricted contribution in the Statement of Support, Revenues, and Expenses – Modified Cash Basis for the year ended December 31, 2020.

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.

The Organization received the following in-kind donations during the year ended December 31, 2020:

Land Lease	<u>\$ 37,200</u>
Total In-Kind Donations	<u>\$ 37,200</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 a five-year lease agreement with the farmer effective January 1, 2020. The lease is for 95.5 acres to be paid in two equal installments of \$8,356 due in April and November of the year. These payments are included in the Rental Income on the Statement of Support, Revenues, and Expenses – Modified Cash Basis. The Organization received \$16,712 for the year ended December 31, 2020.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 RENTAL INCOME (CONTINUED)

Future minimum rentals for the years ended December 31 are as follows:

2021	\$ 16,712
2022	16,712
2023	16,712
2024	<u>16,712</u>
Total	<u>\$ 66,848</u>

The Organization subleases a portion of the land leased from York County to a local farmer. The Organization entered into a three-year lease agreement with the farmer effective January 1, 2020. The lease is for roughly 3.75 acres to be paid in two equal installments of \$1,125 due in May and November of the year. These payments are included in the Rental Income on the Statement of Support, Revenues, and Expenses – Modified Cash Basis. The Organization received \$2,250 for the year ended December 31, 2020.

Future minimum rentals for the years ended December 31 are as follows:

2021	\$ 2,250
2022	<u>2,250</u>
Total	<u>\$ 4,500</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Time and purpose restricted net assets are comprised of the following at December 31, 2020:

Composting Toilets	\$ 10,000
DCNR PennVest (Riparian Forest Buffer Planting Plan)	<u>163,441</u>
Total Time and Purpose Restricted Net Assets	<u>173,441</u>

Perpetually restricted net assets consist of the following at December 31, 2020:

Horn Farm Altland Trust (Note 6)	<u>2,275,908</u>
Total Perpetually Restricted Net Assets	<u>2,275,908</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,449,349</u>

NOTE 11 PRIOR PERIOD ADJUSTMENT

During 2020, management determined that the Organization's beneficial interest in a perpetual trust of \$2,134,531 should have been recorded as an asset at December 31, 2019. This resulted in a prior period adjustment of \$2,134,531 to net assets with donor restrictions. This prior period adjustment is reflected on the Statement of Support, Revenue, and Expenses – Modified Cash Basis.

HORN FARM CENTER FOR AGRICULTURAL EDUCATION

Notes to Financial Statements
For the Year Ended December 31, 2020

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, 2020.

NOTE 13 ADVERTISING

The Organization expenses advertising costs as incurred. Advertising costs were \$246 for the year ended December 31, 2020.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 31, 2021, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2020, the Organization has been operating in an environment that has been economically impacted by the COVID-19 pandemic. The full impact of the pandemic on the Organization is not known as of the release of these financial statements. However, management is monitoring the current conditions and their potential impact.

Subsequent to December 31, 2020, the Organization received full forgiveness on its first Payroll Protection Program Loan in the amount of \$36,800.

Subsequent to December 31, 2020, the Organization received a second Paycheck Protection Program loan from the Small Business Administration for \$37,884. The Organization intends to apply for the loan forgiveness feature of this program.