

FORWARD STRIDE

Financial Statements

For the Year Ended June 30, 2016

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ACCOUNTING AND ADVISORY SERVICES

Independent Auditor's Report

To the Board of Directors

Forward Stride

Beaverton, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Forward Stride which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forward Stride as of June 30, 2016, 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.

Richard Winkel, CPA

June 14, 2017

FORWARD STRIDE
STATEMENT OF FINANCIAL POSITION

June 30, 2016

	2016
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 20,539
Accounts receivable	14,628
Pledges receivable, current portion	59,500
Prepaid expenses, other current assets	1,832
Total current assets	96,499
Fixed assets, net of accumulated depreciation	190,247
Pledges receivable, net of current portion	30,000
Total assets	\$ 316,746
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 19,321
Accrued payroll	9,825
Accrued vacation	15,348
Deferred revenues	13,567
Total liabilities	58,061
NET ASSETS	
Unrestricted	153,003
Temporarily restricted	105,682
Total net assets	258,685
Total liabilities and net assets	\$ 316,746

The accompanying notes are an integral part of these financial statements.

FORWARD STRIDE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Revenues:			
Contributions	\$ 645,780	\$ 183,071	\$ 828,851
Program revenues	306,044	-	306,044
Special events	48,720	-	48,720
Other revenues	<u>9,865</u>	<u>-</u>	<u>9,865</u>
	1,010,409	183,071	1,193,480
Release of restrictions	<u>77,590</u>	<u>(77,590)</u>	<u>-</u>
Total revenues	1,087,999	105,481	1,193,480
Expenditures:			
Program services	777,551	-	777,551
General and administration	35,416	-	35,416
Fundraising	<u>112,148</u>	<u>-</u>	<u>112,148</u>
Total expenditures	<u>925,115</u>	<u>-</u>	<u>925,115</u>
Change in net assets	162,884	105,481	268,365
Net assets, beginning of year	<u>(9,881)</u>	<u>201</u>	<u>(9,680)</u>
Net assets, end of year	<u>\$ 153,003</u>	<u>\$ 105,682</u>	<u>\$ 258,685</u>

The accompanying notes are an integral part of these financial statements.

FORWARD STRIDE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	2016			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 186,991	\$ 23,592	\$ 35,521	\$ 246,104
Payroll taxes	16,505	2,099	3,162	21,766
Horse care and supplies	469,391	-	280	469,671
Professional services	10,780	147	11,100	22,027
Client assistance	4,891	-	-	4,891
Office expense	6,464	965	2,239	9,668
Occupancy	47,479	5,251	7,907	60,637
Insurance	14,435	1,671	2,516	18,622
Repairs and maintenance	528	84	201	813
Bank fees	9,131	708	3,663	13,502
Travel and conferences	2,947	179	269	3,395
Fundraising events	-	-	44,206	44,206
Bad debt	2,315	-	-	2,315
Depreciation expense	5,694	720	1,084	7,498
Total expenses	<u>\$ 777,551</u>	<u>\$ 35,416</u>	<u>\$ 112,148</u>	<u>\$ 925,115</u>

The accompanying notes are an integral part of these financial statements.

FORWARD STRIDE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	2016
Cash flows from operating activities:	
Cash received from contributions and special events	\$ 294,873
Cash received from program revenues	309,874
Cash received from other revenues	9,865
Cash paid to employees and suppliers	(515,060)
Net cash provided by operating activities	99,552
Cash flows from investing activities:	
Cash paid for purchase of fixed assets	(95,760)
Net cash used in operating activities	(95,760)
Net change in cash and cash equivalents	3,792
Cash and cash equivalents, beginning of year	16,747
Cash and cash equivalents, end of year	\$ 20,539
Summary of non-cash investing activities	
In-kind services capitalized as fixed assets	\$ 83,540

The accompanying notes are an integral part of these financial statements.

FORWARD STRIDE
STATEMENT OF CASH FLOWS
(Continued)

For the Year Ended June 30, 2016

	2016
The following presents a reconciliation of the decrease in net assets to net cash provided by (used in) operating activities for the year ended June 30, 2016	
Change in net assets	\$ 268,365
Depreciation expense	7,498
In-kind services capitalized as fixed assets	(83,540)
Changes in assets and liabilities:	
Accounts receivable	3,830
Pledges receivable	(89,500)
Prepaid assets	359
Accounts payable	19,043
Accrued payroll and accrued vacation	(11,263)
Deferred revenues	(15,240)
Net cash provided by operating activities	\$ 99,552

The accompanying notes are an integral part of these financial statements.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A – ORGANIZATION

Forward Stride (the “Organization”) is a nonprofit corporation organized in the State of Oregon. The Organization is dedicated to improving lives through equine-assisted activities and therapies. The Organization receives funding from contributions and program revenues.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets are net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. At June 30, 2016 temporarily restricted net assets are due to grants and pledges with restrictions that will be met over time.

Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization deposits its cash in financial institutions. At June 30, 2016 cash balances were covered by FDIC insurance limits.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is recognized when the service is provided. Revenues received in advance of the service being performed are recorded as deferred revenues.

Grants and Contributions

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Program Revenue

Event and program revenue is recognized when the event or service takes place.

Gifts-In-Kind

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. All in-kind contributions of services and materials are recorded at their estimated fair values. During the year ended June 30, 2016 the Organization recognized \$337,154 in in-kind donation of professional services related to horse care and training and in-kind donations of supplies and materials valued at \$35,504. These in-kind expenses are reported on the accompanying statement of activities and changes in net assets as \$347,099 of horse care and supplies and \$25,559 as fundraising event expenses. During the year ended June 30, 2016, the Organization also received a donation of a horse capitalized as a fixed asset valued at \$40,000 and professional services valued at \$83,540 capitalized as fixed assets related to the design of a new facility.

Accounts Receivable

Accounts receivable represent amounts due under contracts for program services. Management uses the allowance method to account for uncollectible accounts. The Organization determines its allowance by considering a number of factors, including the length of time the accounts receivable are past due and previous loss history. The Organization writes off accounts receivable when they become uncollectible. Management has determined that no allowance is necessary at June 30, 2016.

Fixed Assets

Fixed assets are recorded at purchase cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed assets are recorded at its fair market value on the date of contribution.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization depreciates fixed assets over its estimated useful life using the straight-line method for financial reporting purposes, which is generally the following:

Horses	5 – 10 years
Riding tack and equipment	5 – 10 years
Furniture and office equipment	5 years

Advertising Costs

Advertising is expensed as incurred.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is management's opinion that none of the Organization's present activities are subject to unrelated business income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

Fundraising Expenses

The Organization follows the guidance in ASC 958-720 related to accounting for costs of activities that include fundraising. As a result, if a fundraising activity contains joint costs that might be allocated to programs or other activities, specific criteria regarding the audience and purpose of activity will be considered before costs will be allocated. If the criteria are not met, all costs are reported as fundraising expenses. During the year ended June 30, 2016 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were \$112,148.

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, receivables, prepaid expenses and other assets, and accrued liabilities, their fair value approximates carrying value.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on payroll costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2016:

Amount due in the year ended:

June 30, 2017	\$	59,500
June 30, 2018		<u>30,000</u>
		<u>89,500</u>

NOTE D – FIXED ASSETS

The Organization has the following fixed assets at June 30, 2016:

Horses	\$	64,000
Riding tack and equipment		7,764
Furniture and office equipment		<u>1,479</u>
		73,243
Accumulated depreciation		<u>(20,502)</u>
Depreciable fixed assets, net		52,741
Construction in process		<u>137,506</u>
		<u>190,247</u>

Depreciation expense during the year ended June 30, 2016 was \$7,498.

NOTE E – OPERATING LEASE

The Organization has entered into a lease agreement for office space. The lease requires monthly payments of \$3,800 on a month to month basis and the Organization must move out before August 31, 2017. The Organization paid \$45,600 for rent under the terms of the lease agreement during the year ended June 30, 2016.

NOTE F – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through June 14, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2016.

Subsequent to year end, the Organization was donated property appraised at \$420,000. The Organization has begun construction on a new facility on this property. As of the end of fieldwork, the Organization had spent approximately \$1,080,000 on the construction costs. The Organization has also entered into loan and line of credit agreements to help finance construction of the new facility.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE F – SUBSEQUENT EVENTS (Continued)

The loans include a construction loan with a bank in the amount of \$603,000 with interest rate equal to the Wall Street Journal Prime Rate plus 1.0% (initial rate of 4.25%) with a term of twelve months from closing with one six month extension option. This loan will be converted to permanent financing with interest rate equal to the sum of the five year Federal Home Loan Bank index plus 3.0% (initial rate of 4.78%) and term of ten years. The Organization also entered into a line of credit with the bank up to \$25,000 with a term of twelve months with interest rate equal to the bank prime rate plus 1.0% (initial rate of 4.50%). Subsequent to year end the Organization drew \$603,000 under the terms of the construction loan.

The Organization has entered into two line of credit agreements with individuals for construction financing. One line of credit is with the family that donated the land and allows draws up to \$255,000 with interest at the Wall Street Journal Prime Rate plus 1.5% with a minimum rate of 5.0% with a maturity date of December 1, 2017. Subsequent to year end the Organization drew \$255,000 under the terms of the line of credit.

The second line of credit agreement is with a former member of the Organization's board of directors whose company is serving as the general contractor on the construction project. The line of credit allows draws up to \$100,000 with interest at the Wall Street Journal Prime Rate plus 1.5% with a minimum rate of 5.0% with a maturity date on or before December 1, 2017. Subsequent to year end the Organization drew \$100,000 under the terms of the line of credit.