FORWARD STRIDE

Financial Statements

For the Year Ended June 30, 2017

TABLE OF CONTENTS

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, 2017, 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.

Richard Winkel, CPA
PO Box 91637
Portland, OR 97291

tel: (503) 332-6750
fax: (888) 739-8185
email: rwinkel@winkelcpa.com

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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Forward Stride's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard Winkel, CPA

April 3, 2018

FORWARD STRIDE

STATEMENT OF FINANCIAL POSITION

June 30, 2017
(With Comparative Totals For June 30, 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,715	$ 20,539
Accounts receivable	21,304	14,628
Pledges receivable, current portion	43,900	59,500
Prepaid expenses, other current assets	-	1,832
Total current assets	75,919	96,499
Fixed assets, net of accumulated depreciation	1,943,943	190,247
Pledges receivable, net of current portion	4,615	30,000
Total assets	$ 2,024,477	$ 316,746
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	$ 24,690	$ -
Notes payable	834,750	-
Accounts payable	204,196	19,321
Accrued payroll	18,022	9,825
Accrued vacation	31,372	15,348
Deferred revenues	29,247	13,567
Total liabilities	1,142,277	58,061
NET ASSETS		
Unrestricted	882,200	153,003
Temporarily restricted	-	105,682
Total net assets	882,200	258,685
Total liabilities and net assets	$ 2,024,477	$ 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, 2017
(With Comparative Totals For the Year Ended June 30, 2016)

	2017			
	Unrestricted	Temporarily Restricted	Total	2016 Total
Revenues:				
Contributions and grants	$ 1,208,697	$ 246,376	$ 1,455,073	$ 828,851
Program revenues	411,992	-	411,992	306,044
Special events	27,850	-	27,850	48,720
Other revenues	8,507	-	8,507	9,865
Loss on disposal of fixed assets	(8,658)	-	(8,658)	-
	1,648,388	246,376	1,894,764	1,193,480
Release of restrictions	352,058	(352,058)	-	-
Total revenues	2,000,446	(105,682)	1,894,764	1,193,480
Expenditures:				
Program services	1,099,566	-	1,099,566	777,551
General and administration	54,094	-	54,094	35,416
Fundraising	117,589	-	117,589	112,148
Total expenditures	1,271,249	-	1,271,249	925,115
Change in net assets	729,197	(105,682)	623,515	268,365
Net assets, beginning of year	153,003	105,682	258,685	(9,680)
Net assets, end of year	$ 882,200	$ -	882,200	$ 258,685

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

FORWARD STRIDE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017
(With Comparative Totals For the Year Ended June 30, 2016)

	2017				
	Program Services	Management and General	Fundraising	Total	2016 Total
Salaries and wages	$ 377,026	$ 36,058	$ 44,527	$ 457,611	$ 246,104
Payroll taxes	31,357	2,734	4,954	39,045	21,766
Employee benefits	10,189	974	1,203	12,366	-
Horse care and supplies	514,605	-	1,079	515,684	469,671
Professional services	16,824	-	349	17,173	22,027
Client assistance	27,210	-	-	27,210	4,891
Office expense	11,517	7,179	579	19,275	9,668
Occupancy	54,449	4,560	5,631	64,640	60,637
Insurance	15,850	1,199	1,481	18,530	18,622
Repairs and maintenance	1,142	-	-	1,142	813
Bank fees	9,617	150	1,468	11,235	13,502
Travel and conferences	9,147	31	-	9,178	3,395
Fundraising events	578	-	54,825	55,403	44,206
Bad debt	-	-	-	-	2,315
Interest expense	7,410	-	-	7,410	-
Depreciation expense	12,645	1,209	1,493	15,347	7,498
Total expenses	$ 1,099,566	$ 54,094	$ 117,589	$ 1,271,249	$ 925,115

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

FORWARD STRIDE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017
(With Comparative Totals For the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contributions and special events	$ 518,048	$ 294,873
Cash received from program revenues	405,316	309,874
Cash received from other revenues	8,507	9,865
Cash paid to employees and suppliers	(629,323)	(515,060)
Net cash provided by operating activities	302,548	99,552
Cash flows from investing activities:		
Proceeds from sale of fixed assets	1,000	-
Cash paid for purchase of fixed assets	(1,172,812)	(95,760)
Net cash used in investing activities	(1,171,812)	(95,760)
Cash flows from financing activities:		
Net draws on line of credit	24,690	-
Proceeds from notes payable	834,750	-
Net cash provided by financing activities	859,440	-
Net change in cash and cash equivalents	(9,824)	3,792
Cash and cash equivalents, beginning of year	20,539	16,747
Cash and cash equivalents, end of year	$ 10,715	$ 20,539
Summary of non-cash investing activities		
In-kind donations capitalized as fixed assets	$ 605,889	$ 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, 2017
(With Comparative Totals For the Year Ended June 30, 2016)

	2017	2016
The following presents a reconciliation of the decrease in net assets to net cash provided by (used in) operating activities		
Change in net assets	$ 623,515	$ 268,365
Loss on disposal of fixed assets	8,658	-
Depreciation expense	15,347	7,498
In-kind services capitalized as fixed assets	(605,889)	(83,540)
Changes in assets and liabilities:		
Accounts receivable	(6,676)	3,830
Pledges receivable	40,985	(89,500)
Prepaid assets	1,832	359
Accounts payable	184,875	19,043
Accrued payroll and accrued vacation	24,221	(11,263)
Deferred revenues	15,680	(15,240)
Net cash provided by operating activities	$ 302,548	$ 99,552
Cash paid for interest	$ 2,495	$ -

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

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, 2017 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, 2017 cash balances were covered by FDIC insurance limits.

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. Payments received in advance of the event or service are recorded as deferred revenues.

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, 2017 the Organization recognized $365,771 in in-kind donation of professional services related to horse care and training and in-kind donations of rent valued at $34,200. During the year ended June 30, 2017, the Organization also received a donation of land valued at $468,480, donations of equipment, horses and donkeys capitalized as fixed assets valued at $118,249 and professional services valued at $19,160 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, 2017.

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.

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. The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three-year statute of limitations.

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, 2017 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were $117,589.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Summarized Information for 2016

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE C – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2017:

Amount due in the year ended:

June 30, 2018	$	43,900
June 30, 2019		4,615
	$	48,515

NOTE D – FIXED ASSETS

The Organization has the following fixed assets at June 30, 2017:

Horses	$	134,999
Riding tack and equipment		63,339
Furniture and office equipment		17,439
		215,777
Accumulated depreciation		(69,792)
Depreciable fixed assets, net		145,985
Land		468,480
Construction in process		1,329,478
	$	1,943,943

Depreciation expense during the year ended June 30, 2017 was $15,348.

NOTE E – OPERATING LEASE

The Organization had 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 $11,400 for rent under the terms of the lease agreement and received an in-kind donation of free rent of $34,200 during the year ended June 30, 2017.

NOTE F – NOTES PAYABLE

Notes payable consists of the following at June 30, 2017:

Construction loan with a bank. The note payable allows draws up to $603,000, accrues interest at 5.25% and matures on January 1, 2018. Loan is secured by land.		479,750
Note payable to an individual allowing draws up to $255,000 to pay for construction costs. The note accrues interest at the federal prime rate plus 1.50% (5.0% at June 30, 2017) and matures on December 31, 2017.		255,000
Note payable to a former member of the board of directors whose company is serving as the general contractor on the building project. This loan allows draws up to $100,000 to pay for construction costs. The note accrues interest at the federal prime rate plus 1.50% (5.0% at June 30, 2017) and matures on December 1, 2017.		100,000
Total long-term debt	$	834,750

These notes were paid back in full subsequent to year end with the proceeds from the sale of the land, see Note I.

NOTE G – LINE OF CREDIT

The Organization has a line of credit agreement with a bank which allows draws up to $25,000. The line of credit accrues interest at 5.25% and matures on January 1, 2018. As of June 30, 2017, the Organization had $24,690 outstanding under the terms of this line of credit.

NOTE H – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2017 the Organization paid $2,000 for tack rental to an organization owned by the Organization's assistant executive director.

Two board members provided loans to the Organization to be used as collateral for the bank construction loan. As of June 30, 2017 the loans were $20,000 and $30,000, held by the bank in the name of the board members. Subsequent to year end these loans were modified to be in the name of the Organization.

The general contractor for the construction project on the new facility is owned by two former board members. These board members resigned from the board prior to becoming the general contractor. During the year ended June 30, 2017, the Organization paid $190,292 to the general contractor. At June 30, 2017 the Organization owed the general contractor $76,682 in accounts payable.

NOTE I – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through April 3, 2018, 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, 2017.

NOTE I – SUBSEQUENT EVENTS (Continued)

The Organization continued construction on the new facility, additional construction costs after year end were approximately $1,210,000. The Organization drew the remaining balance available under their bank loan, increasing the loan balance to $603,000.

The Organization drew an additional $62,500 under the terms of the loan to an individual. The Organization also entered into two additional loan agreements with individuals to fund construction costs. One loan was for $30,000, does not accrue interest and matures on June 15, 2018. The other loan was for $20,000, accrues interest at the federal prime rate plus 1.50% (5.0% at June 30, 2017) and matures on December 31, 2018.

In December 2017, the Organization sold the land and facility for $1,400,000. Proceeds from this sale were used to pay back the notes payable to the bank and the individuals with maturity dates in December 2017.

The Organization entered into a lease agreement with the purchaser of the facility to continue using it for program services. The lease requires monthly payments of $6,500 and expires on December 31, 2023. The Organization has the option to renew the lease for nine additional five year terms and has the option to purchase the facility any time after December 31, 2023.