

FORWARD STRIDE

Financial Statements

For the Year Ended June 30, 2018

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard Winkel, CPA

January 9, 2019

FORWARD STRIDE

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals For June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,221	\$ 10,715
Accounts receivable	21,649	21,304
Pledges receivable, current portion	66,000	43,900
Prepaid expenses, other current assets	5,183	-
	<u>212,053</u>	<u>75,919</u>
Fixed assets, net of accumulated depreciation	169,778	1,943,943
Pledges receivable, net of current portion	<u>-</u>	<u>4,615</u>
	<u>\$ 381,831</u>	<u>\$ 2,024,477</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 24,990	\$ 24,690
Notes payable	50,958	834,750
Accounts payable	17,388	204,196
Accrued payroll	21,442	18,022
Accrued vacation	27,094	31,372
Deferred revenues	7,164	29,247
	<u>149,036</u>	<u>1,142,277</u>
NET ASSETS		
Unrestricted	155,121	882,200
Temporarily restricted	<u>77,674</u>	<u>-</u>
	<u>232,795</u>	<u>882,200</u>
	<u>\$ 381,831</u>	<u>\$ 2,024,477</u>

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, 2018
(With Comparative Totals For the Year Ended June 30, 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
Contributions and grants	\$ 1,598,745	\$ 116,894	\$ 1,715,639	\$ 1,455,073
Program revenues	421,709	-	421,709	411,992
Special events	39,635	-	39,635	27,850
Other revenues	11,514	-	11,514	8,507
Loss on disposal of fixed assets	(1,378,307)	-	(1,378,307)	(8,658)
	693,296	116,894	810,190	1,894,764
Release of restrictions	39,220	(39,220)	-	-
Total revenues	732,516	77,674	810,190	1,894,764
Expenditures:				
Program services	1,222,677	-	1,222,677	1,099,566
General and administration	92,639	-	92,639	54,094
Fundraising	144,279	-	144,279	117,589
Total expenditures	1,459,595	-	1,459,595	1,271,249
Change in net assets	(727,079)	77,674	(649,405)	623,515
Net assets, beginning of year	882,200	-	882,200	258,685
Net assets, end of year	\$ 155,121	\$ 77,674	\$ 232,795	\$ 882,200

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

FORWARD STRIDE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018
(With Comparative Totals For the Year Ended June 30, 2017)

	2018				2017 Total
	Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 332,282	\$ 67,184	\$ 63,551	\$ 463,017	\$ 457,611
Payroll taxes	29,274	5,858	5,512	40,644	39,045
Employee benefits	16,695	3,376	3,193	23,264	12,366
Horse care and supplies	594,935	-	454	595,389	515,684
Professional services	65,367	2,030	1,920	69,317	17,173
Client assistance	27,925	-	-	27,925	27,210
Office expense	28,367	2,715	7,927	39,009	19,275
Occupancy	47,564	8,622	8,156	64,342	64,640
Insurance	3,137	634	600	4,371	18,530
Repairs and maintenance	13,738	-	-	13,738	1,142
Bank fees	6,421	1,198	1,345	8,964	11,235
Travel and conferences	2,332	43	314	2,689	9,178
Fundraising events	12,132	979	51,307	64,418	55,403
Interest expense	20,241	-	-	20,241	7,410
Depreciation expense	22,267	-	-	22,267	15,347
Total expenses	\$ 1,222,677	\$ 92,639	\$ 144,279	\$ 1,459,595	\$ 1,271,249

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

FORWARD STRIDE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018
(With Comparative Totals For the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from contributions and special events	\$ 1,262,138	\$ 518,048
Cash received from program revenues	399,281	405,316
Cash received from other revenues	11,514	8,507
Cash paid to employees and suppliers	<u>(915,758)</u>	<u>(629,323)</u>
Net cash provided by operating activities	<u>757,175</u>	<u>302,548</u>
Cash flows from investing activities:		
Proceeds from sale of fixed assets	797,137	1,000
Cash paid for purchase of fixed assets	<u>(1,259,370)</u>	<u>(1,172,812)</u>
Net cash used in investing activities	<u>(462,233)</u>	<u>(1,171,812)</u>
Cash flows from financing activities:		
Net draws on line of credit	300	24,690
Proceeds from notes payable	230,764	834,750
Payments on notes payable	<u>(417,500)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(186,436)</u>	<u>859,440</u>
Net change in cash and cash equivalents	<u>108,506</u>	<u>(9,824)</u>
Cash and cash equivalents, beginning of year	<u>10,715</u>	<u>20,539</u>
Cash and cash equivalents, end of year	<u>\$ 119,221</u>	<u>\$ 10,715</u>

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

FORWARD STRIDE

STATEMENT OF CASH FLOWS
(Continued)

For the Year Ended June 30, 2018
(With Comparative Totals For the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
The following presents a reconciliation of the decrease in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (649,405)	\$ 623,515
Loss on disposal of fixed assets	1,378,307	8,658
Depreciation expense	22,267	15,347
In-kind services capitalized as fixed assets	-	(605,889)
Changes in assets and liabilities:		
Accounts receivable	(345)	(6,676)
Pledges receivable	(17,485)	40,985
Prepaid assets	(5,183)	1,832
Accounts payable	51,960	184,875
Accrued payroll and accrued vacation	(858)	24,221
Deferred revenues	<u>(22,083)</u>	<u>15,680</u>
Net cash provided by operating activities	<u>\$ 757,175</u>	<u>\$ 302,548</u>
Cash paid for interest	<u>\$ 20,241</u>	<u>\$ 2,495</u>
Summary of non-cash investing and financing activities:		
Notes payable paid with proceeds from sale of fixed assets	<u>\$ 597,056</u>	<u>\$ -</u>
Accounts payable paid with proceeds from sale of fixed assets	<u>\$ 238,768</u>	<u>\$ -</u>
In-kind donations capitalized as fixed assets	<u>\$ -</u>	<u>\$ 605,889</u>

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

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018 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, 2018 cash balances were covered by FDIC insurance limits.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018 the Organization recognized \$393,264 in in-kind donation of professional services related to horse care and training and in-kind donations of rent valued at \$11,400. During the year ended June 30, 2018, the Organization also received donations of equipment and supplies valued at \$41,581 and professional services valued at \$29,406.

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, 2018.

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, 2018

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, 2018 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were \$144,279.

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, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Summarized Information for 2017

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, 2017, from which the summarized information was derived.

NOTE C – FIXED ASSETS

The Organization has the following fixed assets at June 30, 2018:

Horses	\$	132,499
Leasehold improvements		47,903
Riding tack and equipment		60,339
Furniture and office equipment		<u>19,208</u>
		259,949
Accumulated depreciation		<u>(90,171)</u>
	\$	<u><u>169,778</u></u>

Depreciation expense during the year ended June 30, 2018 was \$22,267.

NOTE D – 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 received an in-kind donation of free rent of \$11,400 during the year ended June 30, 2018.

The Organization leases a facility for operations from a member of the board of directors. The operating lease requires monthly payments of \$6,500 and expires on December 31, 2023 with the option to renew the lease for nine additional five year terms. This lease has an option to purchase the property at any time after December 31, 2023 and the owner shall not sell the property to any other property without the Organization consenting to the sale. The option to purchase agreement expires January 1, 2028. Total rent paid under the terms of this operation lease was \$39,000 during the year ended June 30, 2018. Future payments under the terms of this lease are as follows:

June 30, 2019	\$	78,000
June 30, 2020		78,000
June 30, 2021		78,000
June 30, 2022		78,000
June 30, 2023		78,000
June 30, 2024		<u>39,000</u>
	\$	<u><u>429,000</u></u>

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE E – NOTES PAYABLE

Notes payable consists of the following at June 30, 2018:

Note payable to board member allowing draws up to \$20,000 to pay for construction costs. The note accrues interest at the federal prime rate plus 1.50% (5.0% at June 30, 2018) and matures on December 1, 2018.	\$ 20,958
Note payable to an individual allowing draws up to \$30,000 to pay for construction costs. The note accrues interest at the federal prime rate plus 1.50% (5.0% at June 30, 2018) and matures on July 1, 2019.	<u>30,000</u>
Total long-term debt	\$ <u>50,958</u>

NOTE F – LINE OF CREDIT

The Organization has a line of credit agreement with a bank which allows draws up to \$25,000 and accrues interest at 5.25%. As of June 30, 2018, the Organization had \$24,990 outstanding under the terms of this line of credit.

NOTE G – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2018 the Organization paid \$2,000 for tack rental to an organization owned by the Organization's executive director.

A board members provided a loan to the Organization to be used as collateral for the bank construction loan. As of June 30, 2018 the loan was \$20,958.

During the year ended June 30, 2018 the Organization sold their operating facility to a member of the board of directors for \$1,400,000. The Organization signed an agreement to lease the facility from the member of the board of directors, total rent paid to the board member under this lease was \$39,000 during the year ended June 30, 2018.

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through January 9, 2019, 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, 2018.