

FORWARD STRIDE

Financial Statements

For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard Winkel, CPA

March 10, 2020

FORWARD STRIDE
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Comparative Totals For June 30, 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 207,421	\$ 119,221
Accounts receivable	21,905	21,649
Pledges receivable, current portion	-	66,000
Prepaid expenses, other current assets	1,876	5,183
Total current assets	231,202	212,053
Fixed assets, net of accumulated depreciation	277,526	169,778
Investment in real estate	493,750	-
Total assets	\$ 1,002,478	\$ 381,831
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ -	\$ 24,990
Current portion of notes payable	38,126	50,958
Accounts payable	13,225	17,388
Accrued payroll	20,575	21,442
Accrued vacation	17,658	27,094
Deferred revenues	42,974	7,164
Total current liabilities	132,558	149,036
Notes payable, net of current portion	13,564	-
Total liabilities	146,122	149,036
NET ASSETS		
Without restrictions	700,478	155,121
With restrictions	155,878	77,674
Total net assets	856,356	232,795
Total liabilities and net assets	\$ 1,002,478	\$ 381,831

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)

	2019			2018 Total
	Without Restrictions	With Restrictions	Total	
Revenues:				
Contributions and grants	\$ 1,211,594	\$ 159,719	\$ 1,371,313	\$ 1,715,639
Program revenues	478,040	-	478,040	421,709
Special events	67,546	-	67,546	39,635
Other revenues	13,503	-	13,503	11,514
Loss on disposal of fixed assets	(66,039)	-	(66,039)	(1,378,307)
	1,704,644	159,719	1,864,363	810,190
Release of restrictions	81,515	(81,515)	-	-
Total revenues	1,786,159	78,204	1,864,363	810,190
Expenditures:				
Program services	1,028,356	-	1,028,356	1,222,677
General and administration	90,756	-	90,756	92,639
Fundraising	121,690	-	121,690	144,279
Total expenditures	1,240,802	-	1,240,802	1,459,595
Change in net assets	545,357	78,204	623,561	(649,405)
Net assets, beginning of year	155,121	77,674	232,795	882,200
Net assets, end of year	\$ 700,478	\$ 155,878	\$ 856,356	\$ 232,795

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

FORWARD STRIDE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2018)

	2019				2018 Total
	Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 345,058	\$ 72,965	\$ 47,657	\$ 465,680	\$ 463,017
Payroll taxes	32,850	6,743	4,417	44,010	40,644
Employee benefits	5,250	1,111	726	7,087	23,264
Horse care and supplies	410,580	-	-	410,580	595,389
Professional services	10,863	1,487	971	13,321	69,317
Client assistance	14,382	-	-	14,382	27,925
Office expense	12,524	2,115	3,235	17,874	39,009
Occupancy	85,558	-	-	85,558	64,342
Insurance	25,085	4,009	2,618	31,712	4,371
Repairs and maintenance	45,062	-	-	45,062	13,738
Bank fees	6,987	1,455	5,697	14,139	8,964
Travel and conferences	901	165	108	1,174	2,689
Fundraising events	-	-	55,800	55,800	64,418
Interest expense	3,340	706	461	4,507	20,241
Depreciation expense	29,916	-	-	29,916	22,267
Total expenses	<u>\$ 1,028,356</u>	<u>\$ 90,756</u>	<u>\$ 121,690</u>	<u>\$ 1,240,802</u>	<u>\$ 1,459,595</u>

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

FORWARD STRIDE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contributions and special events	\$ 751,518	\$ 1,262,138
Cash received from program revenues	513,594	399,281
Cash received from other revenues	13,503	11,514
Cash paid to employees and suppliers	(968,116)	(915,758)
Net cash provided by operating activities	310,499	757,175
Cash flows from investing activities:		
Proceeds from sale of fixed assets	1,121	797,137
Cash paid for purchase of fixed assets	(199,162)	(1,259,370)
Net cash used in investing activities	(198,041)	(462,233)
Cash flows from financing activities:		
Net draws on line of credit	-	300
Proceeds from notes payable	-	230,764
Payments on notes payable	(24,258)	(417,500)
Net cash (used in) provided by financing activities	(24,258)	(186,436)
Net change in cash and cash equivalents	88,200	108,506
Cash and cash equivalents, beginning of year	119,221	10,715
Cash and cash equivalents, end of year	\$ 207,421	\$ 119,221

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

FORWARD STRIDE
STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</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	\$ 623,561	\$ (649,405)
Loss on disposal of fixed assets	66,039	1,378,307
Depreciation expense	29,916	22,267
Donation of capital assets	(5,662)	-
Donation of investment	(493,750)	-
Changes in assets and liabilities:		
Accounts receivable	(256)	(345)
Pledges receivable	66,000	(17,485)
Prepaid assets	3,307	(5,183)
Accounts payable	(4,163)	51,960
Accrued payroll and accrued vacation	(10,303)	(858)
Deferred revenues	<u>35,810</u>	<u>(22,083)</u>
Net cash provided by operating activities	<u>\$ 310,499</u>	<u>\$ 757,175</u>
Cash paid for interest	<u>\$ 4,507</u>	<u>\$ 20,241</u>
Summary of non-cash investing and financing activities:		
Conversion of line of credit into note payable	<u>\$ 24,990</u>	<u>\$ -</u>
Notes payable paid with proceeds from sale of fixed assets	<u>\$ -</u>	<u>\$ 597,056</u>
Accounts payable paid with proceeds from sale of fixed assets	<u>\$ -</u>	<u>\$ 238,768</u>
In-kind donation of real estate investment	<u>\$ 493,750</u>	<u>\$ -</u>
In-kind donation of capital assets	<u>\$ 5,662</u>	<u>\$ -</u>

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

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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, 2019 cash balances were covered by FDIC insurance limits.

Revenue Recognition

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

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 the Organization recognized \$222,225 in in-kind donation of professional services related to horse care and training. During the year ended June 30, 2019, the Organization also received donations of equipment and supplies valued at \$33,535 and professional services valued at \$3,831. The Organization was also donated an investment in a real estate building valued at \$493,750.

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, 2019.

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.

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
Leasehold improvements	10 years

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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, 2019 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were \$132,204.

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.

FORWARD STRIDE
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Functional Expenses

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. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

Prior Year Summarized Information for 2018

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, 2018, from which the summarized information was derived.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 207,421
Accounts receivable	<u>21,905</u>
 Total financial assets	 <u>229,326</u>
 Less amounts not available to be used within one year:	
Net assets with restrictions	<u>(155,878)</u>
 Total financial assets available	 <u>\$ 73,448</u>

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C – AVAILABILITY AND LIQUIDITY (Continued)

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization’s cash needs are expected to be met on a monthly basis from regular revenue sources. In general, the Organization maintains sufficient financial assets on hand to meet normal operating expenditures and to reserve for future needs.

NOTE D – FIXED ASSETS

The Organization has the following fixed assets at June 30, 2019:

Horses	\$	52,499
Leasehold improvements		240,092
Riding tack and equipment		64,513
Furniture and office equipment		<u>24,370</u>
		381,474
Accumulated depreciation		<u>(103,948)</u>
	\$	<u>277,526</u>

Depreciation expense during the year ended June 30, 2019 was \$29,916.

NOTE E – OPERATING LEASE

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 \$78,000 during the year ended June 30, 2019. Future payments under the terms of this lease are as follows:

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>351,000</u>

NOTE F – LINE OF CREDIT

The Organization had a line of credit agreement with a bank which allows draws up to \$25,000 and accrues interest at 5.25%. This line of credit had a balance of \$24,990 and was converted to a note payable during the year ended June 30, 2019.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE G – NOTES PAYABLE

Notes payable consists of the following at June 30, 2019:

Note payable to a bank requiring monthly payments of principal plus interest at 5.25% with maturity on February 1, 2022.	\$	21,690
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>51,690</u>

Future minimum payments under the terms of these notes is as follows:

June 30, 2020	\$	38,126
June 30, 2021		8,563
June 30, 2022		<u>5,001</u>
	\$	<u>51,690</u>

NOTE H – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019 the Organization paid \$2,000 for tack rental to an organization owned by the Organization’s Executive Director.

A board member provided a loan to the Organization to be used as collateral for the bank construction loan. The loan balance was \$20,958 and was repaid during the year ended June 30, 2019.

The Organization signed an agreement to lease their operating facility from a member of the board of directors, total rent paid to the board member under this lease was \$78,000 during the year ended June 30, 2019.

A member of the board of directors donated a 25% interest in a building they owned to the Organization. The investment was valued at \$493,750 based on an appraisal.

NOTE I – NET ASSETS

Net assets with restrictions of \$155,878 represent amounts restricted by donors for future program expenditures.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through March 10, 2020, 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, 2019.

Subsequent to year end the Organization sold their investment in the real estate building for \$456,000.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE J – SUBSEQUENT EVENTS (Continued)

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.