

FORWARD STRIDE

Financial Statements

For the Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8

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, 2020, 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
15086 NW Oakmont Loop
Beaverton, OR 97006

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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard Winkel, CPA

January 6, 2021

FORWARD STRIDE
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals For June 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 593,534	\$ 207,421
Accounts receivable	15,487	21,905
Prepaid expenses, other current assets	1,959	1,876
Total current assets	610,980	231,202
Fixed assets, net of accumulated depreciation	651,909	277,526
Investment in real estate	-	493,750
Total assets	\$ 1,262,889	\$ 1,002,478
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of notes payable	\$ 8,525	\$ 38,126
Accounts payable	109,713	13,225
Accrued payroll	27,878	20,575
Accrued vacation	22,458	17,658
Deferred revenues	31,842	42,974
Total current liabilities	240,386	132,558
Notes payable, net of current portion	118,764	13,564
Total liabilities	319,180	146,122
NET ASSETS		
Without restrictions	785,707	700,478
With restrictions	158,002	155,878
Total net assets	943,709	856,356
Total liabilities and net assets	\$ 1,262,889	\$ 1,002,478

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, 2020
(With Comparative Totals For the Year Ended June 30, 2019)

	2020			2019
	Without Restrictions	With Restrictions	Total	
Revenues:				
Contributions and grants	\$ 912,605	\$ 29,191	\$ 941,796	\$ 1,371,313
Program revenues	455,838	-	455,838	478,040
Special events	53,339	-	53,339	67,546
Other revenues	21,767	-	21,767	13,503
Loss on sale of investment	(36,148)	-	(36,148)	(66,039)
 Total revenues	 1,407,401	 29,191	 1,436,592	 1,864,363
 Net assets released from restrictions	 27,067	 (27,067)	 -	 -
 Total revenues, net	 1,434,468	 2,124	 1,436,592	 1,864,363
Expenses:				
Programs	1,108,679	-	1,108,679	1,028,356
Management and general	121,065	-	121,065	90,756
Fundraising	119,495	-	119,495	121,690
 Total expenses	 1,349,239	 -	 1,349,239	 1,240,802
 Change in net assets	 85,229	 2,124	 87,353	 623,561
 Net assets, beginning of year	 700,478	 155,878	 856,356	 232,795
 Net assets, end of year	 <u>\$ 785,707</u>	 <u>\$ 158,002</u>	 <u>\$ 943,709</u>	 <u>\$ 856,356</u>

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

FORWARD STRIDE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals For the Year Ended June 30, 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 394,644	\$ 81,548	\$ 45,657	\$ 521,849	\$ 465,680
Payroll taxes	40,990	8,182	4,659	53,831	44,010
Employee benefits	5,324	1,100	616	7,040	7,087
Horse care and supplies	431,118	11	1,696	432,825	410,580
Professional services	9,096	1,880	1,052	12,028	13,321
Client assistance	10,988	533	298	11,819	14,382
Office expenses	16,995	2,852	4,239	24,086	17,874
Occupancy	65,861	13,609	7,620	87,090	85,558
Insurance	18,078	6,687	1,922	26,687	31,712
Repairs and maintenance	43,599	2,210	1,237	47,046	45,062
Bank fees	9,072	1,845	6,391	17,308	14,139
Travel and conferences	5,827	412	231	6,470	1,174
Fundraising events	-	-	43,770	43,770	55,800
Interest expense	922	196	107	1,225	4,507
Depreciation expense	56,165	-	-	56,165	29,616
	<u>\$ 1,108,679</u>	<u>\$ 121,065</u>	<u>\$ 119,495</u>	<u>\$ 1,349,239</u>	<u>\$ 1,240,502</u>

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

FORWARD STRIDE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals For the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from contributions and special events	\$ 741,544	\$ 751,518
Cash received from program revenues	451,124	513,594
Cash received from other revenues	21,767	13,503
Cash paid to employees and suppliers	(934,475)	(968,116)
Net cash provided by operating activities	279,960	310,499
Cash flows from investing activities:		
Proceeds from sale of fixed assets	-	1,121
Proceeds from the sale of real estate investment	457,602	-
Cash paid for purchase of fixed assets	(427,048)	(199,162)
Net cash provided by (used in) investing activities	30,554	(198,041)
Cash flows from financing activities:		
Proceeds from notes payable	113,014	-
Payments on notes payable	(37,415)	(24,258)
Net cash provided by (used in) financing activities	75,599	(24,258)
Net change in cash and cash equivalents	386,113	88,200
Cash and cash equivalents, beginning of year	207,421	119,221
Cash and cash equivalents, end of year	\$ 593,534	\$ 207,421
Summary of non-cash investing and financing activities:		
In-kind donation of capital assets	\$ 3,500	\$ 5,662
In-kind donation of real estate investment	\$ -	\$ 493,750
Conversion of line of credit into note payable	\$ -	\$ 24,990

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

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020 there was \$352,672 of cash balances that were not 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, 2020

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, 2020 the Organization recognized \$203,369 in in-kind donation of professional services related to horse care and training and \$44,538 in in-kind donations of supplies and tack. During the year ended June 30, 2020, the Organization also received a donation of a horse valued at \$3,500 and other professional services valued at \$2,184.

Accounts Receivable

Accounts receivable represent amounts due 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, 2020.

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, 2020

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.

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, 2020 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year were \$119,495.

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, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019

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, 2019, from which the summarized information was derived.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 593,534
Accounts receivable	<u>15,487</u>
 Total financial assets	 <u>609,021</u>
 Less amounts not available to be used within one year:	
Net assets with restrictions	<u>(158,002)</u>
 Total financial assets available	 \$ <u><u>451,019</u></u>

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.

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE D – FIXED ASSETS

The Organization has the following fixed assets at June 30, 2020:

Horses	\$	55,999
Leasehold improvements		655,202
Riding tack and equipment		60,479
Furniture and office equipment		<u>18,757</u>
		790,437
Accumulated depreciation		<u>(138,528)</u>
	\$	<u><u>651,909</u></u>

Depreciation expense during the year ended June 30, 2020 was \$56,165.

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 party 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, 2020. Future payments under the terms of this lease are as follows:

June 30, 2021	\$	78,000
June 30, 2022		78,000
June 30, 2023		78,000
June 30, 2024		<u>39,000</u>
	\$	<u><u>273,000</u></u>

NOTE G – NOTES PAYABLE

The Organization has a note payable to a bank requiring monthly payments of principal plus interest at 5.25% with maturity on February 1, 2022. The balance owed is \$14,275 at June 30, 2020.

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

June 30, 2021	\$	8,525
June 30, 2022		<u>5,750</u>
	\$	<u><u>14,275</u></u>

FORWARD STRIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE G – NOTES PAYABLE (CONTINUED)

In April 2020, the Organization was granted a loan from Columbia Bank in the aggregate amount of \$113,014, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The proceeds of the PPP Loans have been and are expected to be used for payroll costs but may also be used for other permitted purposes under the CARES Act, including rent or utility costs. Under the terms of the CARES Act, each borrower can apply for forgiveness for all or a portion of the PPP Loan and, as described below, the Organization intends to apply for forgiveness. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act during the 24-week period after loan origination and the maintenance or achievement of certain employee levels. While the Organization believes that the proceeds of the PPP Loans have been or will be used only for qualifying expenses in accordance with the terms of the CARES Act, any forgiveness of a PPP Loan will be subject to approval by Key Bank and the U.S. Small Business Administration, which is administering the PPP under the CARES Act, and there can be no assurance that any or all of the PPP Loans will be forgiven in whole or in part. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

NOTE H – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2020 the Organization paid \$2,000 for tack rental to an organization owned by the Organization’s Executive Director.

The Organization has 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, 2020.

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 during the year ended June 30, 2019. During the fiscal year ended June 30, 2020, the Organization sold their investment for \$457,602 and realized a \$36,148 loss on the sale.

NOTE I – NET ASSETS

Net assets with restrictions of \$158,002 represent amounts restricted by donors for future program expenditures.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated for subsequent events through January 6, 2021, 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, 2020. 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.