

Equine Assisted Therapies of South Florida, Inc.

Financial Statements
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITORS' REPORT

Board of Directors

Equine Assisted Therapies of South Florida, Inc

Pompano Beach, Florida

Report on the financial statements

We have audited the accompanying financial statements of Equine Assisted Therapies of South Florida, Inc (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements

Management's responsibility for the financial statement

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 statement

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

Opinion

In our opinion, the financial statements of Equine Assisted Therapies of South Florida, Inc (a nonprofit organization) referred to above present fairly, in all material respects, the financial position of as June 30, 2019 and 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

LANZARO & HALPERIN CPA's PA

Lanzaro & Halperin, CPAs P.A.

Boca Raton, Florida
December 12, 2019

Equine Assisted Therapies of South Florida, Inc.
Statement of Financial Position
June 30, 2019
(with summarized financial information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 499,213	\$ 541,003
Investments	73,326	-
Prepays and other assets	7,433	6,997
Property and equipment, net	<u>1,227,402</u>	<u>1,272,453</u>
Total assets	<u>\$ 1,807,374</u>	<u>\$ 1,820,453</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 19,717	\$ 3,011
Deferred revenues	<u>85,165</u>	<u>68,360</u>
Total liabilities	<u>104,882</u>	<u>71,371</u>
Net Assets:		
Without donor restrictions:		
Undesignated	<u>1,335,509</u>	<u>1,459,082</u>
Total without donor restrictions	<u>1,335,509</u>	<u>1,459,082</u>
With donor restrictions:		
Purpose and time restrictions	116,983	40,000
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
Total with donor restrictions	<u>366,983</u>	<u>290,000</u>
Total net assets	<u>1,702,492</u>	<u>1,749,082</u>
Total liabilities and net assets	<u>\$ 1,807,374</u>	<u>\$ 1,820,453</u>

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

Equine Assisted Therapies of South Florida, Inc.
Statement of Activities
For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Public Support and Revenues:				
Grants and contributions	\$ 425,786	\$ 76,983	\$ 502,769	\$ 736,811
Program fees and other	26,520	-	26,520	58,437
Special event revenue	111,714	-	111,714	115,580
Less: direct event expense	(44,503)	-	(44,503)	(35,318)
Investment income, net	8,936	-	8,936	171
Miscellaneous	1,055	-	1,055	1,395
	<u>529,508</u>	<u>76,983</u>	<u>606,491</u>	<u>877,076</u>
Expenses:				
Program services	564,827	-	564,827	627,125
Supporting services:				
Management and general	51,314	-	51,314	79,829
Fundraising	36,940	-	36,940	31,175
	<u>653,081</u>	<u>-</u>	<u>653,081</u>	<u>738,129</u>
Change in net assets	<u>(123,573)</u>	<u>76,983</u>	<u>(46,590)</u>	<u>138,947</u>
Net Assets, Beginning of Year	<u>1,459,082</u>	<u>290,000</u>	<u>1,749,082</u>	<u>1,610,135</u>
Net Assets, End of Year	<u>\$ 1,335,509</u>	<u>\$ 366,983</u>	<u>\$ 1,702,492</u>	<u>\$ 1,749,082</u>

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

Equine Assisted Therapies of South Florida, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	<u>Supporting Services</u>			<u>Total 2019</u>	<u>Total 2018</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Barn Supplies	\$ 5,436	\$ -	\$ -	\$ 5,436	\$ 5,995
Board Meeting Expense	-	2,504	-	2,504	546
Business Development	-	1,455	-	1,455	787
Contract Labor	28,206	1,128	1,451	30,785	44,073
Credit Card Processing	2,913	-	1,396	4,309	3,471
Depreciation	71,408	-	-	71,408	69,618
Dues and Subscriptions	2,040	-	-	2,040	5,337
Education and Training	360	-	-	360	1,320
Equipment Maintenance	4,296	-	-	4,296	-
Equipment and Rental	6,491	-	-	6,491	6,122
Horse Expenses	69,514	-	-	69,514	73,836
Insurance	11,018	581	-	11,599	10,156
Master Maintenance	17,888	-	-	17,888	113,246
Miscellaneous	3,071	-	-	3,071	5,818
Office Expenses	13,838	3,224	254	17,316	20,208
Postage and Shipping	1,214	364	770	2,348	1,826
Professional Fees	-	3,980	-	3,980	3,980
Public Relations	-	-	-	-	2,300
Program Expenses	8,628	-	-	8,628	2,681
Salaries and Wages	300,637	32,763	30,331	363,731	341,104
Special events	-	-	44,503	44,503	35,318
Telephone	8,884	3,904	886	13,674	12,424
Utilities	7,482	1,411	1,852	10,745	10,918
Volunteer Expenses	1,503	-	-	1,503	2,363
Total expenses by function	<u>564,827</u>	<u>51,314</u>	<u>81,443</u>	<u>697,584</u>	<u>773,447</u>
Less expenses included with revenues on the statement of activities:					
Direct costs - special events	<u>-</u>	<u>-</u>	<u>(44,503)</u>	<u>(44,503)</u>	<u>(35,318)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 564,827</u>	<u>\$ 51,314</u>	<u>\$ 36,940</u>	<u>\$ 653,081</u>	<u>\$ 738,129</u>

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

Equine Assisted Therapies of South Florida, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (46,590)	\$ 138,947
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation	71,408	69,618
Net realized/unrealized (gain) loss on investments	(6,432)	-
Loss on disposal of assets	-	3,125
(Increase) decrease in assets:		
Prepays and other assets	(436)	(791)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	16,706	(754)
Deferred revenue	16,805	(25,640)
	<u>51,461</u>	<u>184,505</u>
Net cash provided by (used in) operating activities		
Cash Flows From Investing Activities:		
Purchases of property and equipment	(26,357)	(4,500)
Purchases and sales of investments, net	<u>(66,894)</u>	<u>-</u>
	<u>(93,251)</u>	<u>(4,500)</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(41,790)	180,005
Cash and Cash Equivalents, Beginning of Year	<u>541,003</u>	<u>360,998</u>
Cash and Cash Equivalents, End of Year	<u>\$ 499,213</u>	<u>\$ 541,003</u>

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

Note 1 - Organization and Operations

Nature of activities: Mission: Equine-Assisted Therapies of South Florida is dedicated to providing therapeutic riding and equine-activities to children and adults with special needs so that they may improve physically, mentally and emotionally.

Equine-Assisted Therapies of South Florida, Inc. (the "Organization") is a Florida not-for-profit organization incorporated on July 6, 1982. The Organization is governed by a Board of Directors for the purpose of providing equine assisted activities and therapy for clients of all ages with special needs, particularly children that are striving to overcome challenges brought on by physical, mental and emotional disabilities such as Cerebral Palsy, Autism, Down syndrome, and developmental delay. In addition, adults with Parkinson's, Stroke and many other challenges benefit from equine assisted therapy as well.

The Organization offers unique and integrated programs that provide riders with equine activities six days a week at their Tradewinds Park location in Broward County, Florida. Therapeutic riding, hippotherapy and equine facilitated learning and psychotherapy are widely recognized as beneficial forms of recreational therapy. A heavy emphasis is placed on preparing young people for effective adult living and the development of self-confidence and an enhanced value of self-esteem, self-discipline and improved concentration.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and cash equivalents: The Organization considers all accounts maintained at financial institutions with a maturity of three months or less when purchased to be cash equivalents

Property and equipment: The Organization capitalizes property and equipment in excess of \$ 500. Property and equipment are stated at cost or, if donated to the Organization, at estimated fair value at the date of the donation. If donors stipulate the period of time during which the assets must be used, the contributions are recorded as support with donor restrictions and released as the restrictions expire. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions when placed in service. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which are as follows:

Barn and improvements	25 years
Computer software and equipment	5-7 years
Horses	5 years
Office building	31 years
Covered arena	25 years

The Organization established a policy that any horse contributions are evaluated on a case by case basis to determine whether to include the donation of a long-lived asset at fair market value on the financial statements. Horses are either purchased, donated or accepted on a free lease program. The free lease program is one in which the owner maintains ownership and costs are covered by the Organization during the horse's tenure at their facility. The Organization currently has fair title and possession of eleven horses as of June 30, 2019

Investments: The Organization reports its investments in equity securities at fair value in the Statement of Financial Position. Investment gains (losses) (including realized and unrealized gains and losses on investments, interest and dividends) are included in the Statement of Activities under the caption "Investment income, net".

Deferred revenue: Grant revenue (i.e. advances) that is not recognized because the allowable costs, as defined by the individual grant, have not been incurred and/or the units of service have not been rendered is considered deferred revenue.

Functional expenses: The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Program and supporting services are charged with their direct expenses. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries and wages, professional fees, insurance, depreciation, among other expenses; which are allocated on the basis of estimates of time and effort, square footage basis, as well as other methods as determined by management.

Contributed goods and services: Contributed services are reported as contributions at their estimated fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. Contributed goods are recorded at their estimated fair market value when received.

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization receives donated services from a variety of unpaid volunteers assisting in the Organization's programs, day-to-day operations, and fundraising projects services. These services are not reflected in the accompanying financial statements because the criteria for recognition of such volunteer hours have not been met. 12,535 volunteer hours were logged in the fiscal year ending June 30, 2019.

Income taxes: The Organization is a not-for-profit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, generally would not incur income taxes. As a result, the financial statements do not reflect a provision for income taxes. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Return (Form 990) for 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Concentration of credit risk and market risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insured limits. The Organization limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Organization has not experienced losses in such accounts.

Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. Investments are held in brokerage accounts protected by the Securities Investor Protection Corporation ("SIPC") in the event of broker-dealer failure, up to \$ 500,000 of protection for each brokerage account. The SIPC insurance does not protect against market losses in investments. The Organization has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Use of estimates: The Organization makes estimates and assumptions that effect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized prior year information: The financial statements include summarized comparative information from the prior year, which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the comparative information was extracted.

Date of management review: Subsequent events were evaluated by management through (DATE), which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Financial Assets

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets:		
Cash and cash equivalents	\$	499,213
Investments		<u>73,326</u>
Financial Assets, at year-end		<u>572,539</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Purpose and time restrictions by donor		(116,983)
Perpetual restrictions by donor		<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>205,556</u></u>

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

Barn and improvements	\$	169,986
Computer software and equipment		85,558
Horses		62,000
Office building		867,823
Covered arena		<u>629,212</u>
		1,814,579
Less accumulated depreciation		<u>(587,177)</u>
	\$	<u><u>1,227,402</u></u>

Note 5 - Investments

Investments are presented in the financial statements at their estimated fair market values and consist of the following at June 30, 2019:

Equities	\$	<u>73,326</u>
Total	\$	<u><u>73,326</u></u>

Note 5 - Investments (continued)

Investment income, net, relative to these investments held and sold during the year, and other equivalents, is comprised of:

Net realized and unrealized gain	\$	6,432
Interest and dividends		2,721
Fees and other		<u>(217)</u>
Total	\$	<u><u>8,936</u></u>

Note 6 - Fair Value Measurements

In accordance with the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 820, *Fair Value Measurement and Disclosures*, the Organization provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Various inputs are used in determining the value of the Organization's investments. These inputs are summarized in three levels listed below:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the reporting entity can access at the measurement date.
- Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)
- Level 3 - inputs that are unobservable for the investments. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At June 30, 2019, the fair value of investments by type was as follows:

<u>Investment Type</u>	<u>Fair Value June 30, 2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Equities	\$ <u>73,326</u>	\$ <u>73,326</u>
Total	\$ <u><u>73,326</u></u>	\$ <u><u>73,326</u></u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or period as of June 30, 2019:

Subject to expenditure for specified purpose:	
Scholarships and operations	\$ <u>116,983</u>
Endowments (Note 8):	
Required to be held in perpetuity by donor for specified purpose:	
Scholarships and operations	<u>250,000</u>
Total	\$ <u><u>366,983</u></u>

Note 8 - Endowment Funds

Certain net assets with donor restrictions at June 30, 2019 include endowment funds established for scholarships and operations. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gifts are to be held and invested by the Organization indefinitely and income from the funds to be expended for the established purpose of the endowment. Contributions to the endowment funds are classified as net assets with donor restrictions. Income from the funds is classified with net assets with donor restrictions until the purpose of the restriction is satisfied. When the purpose of the restriction is met, the net assets are reclassified to net assets without donor restrictions.

Interpretation of relevant law: Previously, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The investment policies adopted by the Organization are designed to comply with FUPMIFA. The investment committee of the Organization has the responsibility of monitoring investment activities and the performance of any investment advisors selected by the Organization. In carrying out their duties, the investment committee acts in accordance with FUPMIFA.

Spending policy: The Organization has a policy that is dictated by the specific needs of the purpose(s) or program(s) designated by the donors or Board of Directors.

Objectives: The Organization has adopted investment policies that attempt to maximize long-term preservation, growth of capital and stability of returns. It is expected that the asset value of the funds, exclusive of contributions or withdrawals, should grow in the long run and earn through a combination of investment income and capital appreciation a rate of return in excess of a balanced market index while incurring less risk than such index.

Note 8 - Endowment Funds (continued)

Changes in endowment net assets as of June 30, 2019:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 250,000
Contributions	-
Interest and dividends	2,037
Fees and other	(217)
Net realized and unrealized gain	6,432
Appropriation of endowment assets for expenditures (distributions), net	<u>-</u>
Endowment net assets, end of year	<u>\$ 258,252</u>