

NAPLES EQUESTRIAN
CHALLENGE, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NAPLES EQUESTRIAN CHALLENGE, INC.
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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Naples Equestrian Challenge, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Naples Equestrian Challenge, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, 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 audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naples Equestrian Challenge, Inc. as of December 31, 2014 and 2013, 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.

Rogers Wood Hill Starman & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants
August 19, 2015

**NAPLES EQUESTRIAN
CHALLENGE, INC.**
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 662,049	\$ 243,693
Accounts receivable	2,090	4,370
Pledges receivable - Note 3	60,000	-
Prepaid expenses	6,808	6,808
Deposits	-	5,000
Property and equipment, net - Note 2	<u>1,804,975</u>	<u>1,773,991</u>
Total assets	<u>\$ 2,535,922</u>	<u>\$ 2,033,862</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 19,535	\$ 15,665
Line of credit - Note 5	-	10,000
Mortgage note payable - Note 4	<u>133,697</u>	<u>137,000</u>
Total liabilities	<u>153,232</u>	<u>162,665</u>
Net assets:		
Unrestricted	1,698,089	1,583,797
Temporarily restricted - Note 6	<u>684,601</u>	<u>287,400</u>
Total net assets	<u>2,382,690</u>	<u>1,871,197</u>
Total liabilities and net assets	<u>\$ 2,535,922</u>	<u>\$ 2,033,862</u>

**NAPLES EQUESTRIAN
CHALLENGE, INC.**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
Contributions	\$ 194,335	\$ 485,899	\$ 680,234
Grant income	172,832	-	172,832
Rider fees	66,100	-	66,100
Exercise riding lessons	699	-	699
Special events, net - Note 9	246,087	-	246,087
Interest income	1,111	-	1,111
Miscellaneous income	5,040	-	5,040
In kind contributions - Note 7	113,603	-	113,603
	<hr/>		
Total revenues and support	799,807	485,899	1,285,706
Net assets released from restrictions	88,698	(88,698)	-
	<hr/>		
Total revenues, support and net assets released from restrictions	888,505	397,201	1,285,706
	<hr/>		
EXPENSES:			
Program services	639,697	-	639,697
Management and general	58,568	-	58,568
Fundraising	75,948	-	75,948
Total expenses	774,213	-	774,213
	<hr/>		
INCREASE IN NET ASSETS	114,292	397,201	511,493
NET ASSETS - Beginning of year, as restated	1,583,797	287,400	1,871,197
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NET ASSETS - End of year	\$ 1,698,089	\$ 684,601	\$ 2,382,690
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**NAPLES EQUESTRIAN
CHALLENGE, INC.**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
Support from government units	\$ 520,000	\$ -	\$ 520,000
Contributions	268,841	248,298	517,139
Grant income	113,000	-	113,000
Rider fees	60,355	-	60,355
Exercise riding lessons	1,400	-	1,400
Rental income - Note 8	17,100	-	17,100
Special events, net - Note 9	147,294	-	147,294
Interest income	90	-	90
Miscellaneous income	2,772	-	2,772
In-kind contributions - Note 7	124,394	-	124,394
	<hr/>		
Total revenues and support	1,255,246	248,298	1,503,544
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Net assets released from restrictions	25,363	(25,363)	-
	<hr/>		
Total revenues, support and net assets released from restrictions	1,280,609	222,935	1,503,544
	<hr/>		
EXPENSES:			
Program services	604,197	-	604,197
Management and general	66,415	-	66,415
Fundraising	79,351	-	79,351
Total expenses	749,963	-	749,963
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INCREASE IN NET ASSETS	530,646	222,935	753,581
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NET ASSETS - Beginning of year	1,014,356	103,260	1,117,616
	<hr/>		
Reclassification of net assets	38,795	(38,795)	-
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NET ASSETS - Beginning of year, as restated	1,053,151	64,465	1,117,616
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NET ASSETS - End of year, as restated	\$ 1,583,797	\$ 287,400	\$ 1,871,197
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**NAPLES EQUESTRIAN
CHALLENGE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 212,461	\$ 29,107	\$ 52,740	\$ 294,308
Payroll taxes and employee benefits	37,448	5,130	9,296	51,874
Total salaries and related expenses	249,909	34,237	62,036	346,182
Bank charges	204	-	10,001	10,205
Computer technology	5,742	177	-	5,919
Depreciation	56,154	10,210	-	66,364
Horse and barn operating expenses	76,047	-	-	76,047
In-kind expenses - Note 7	108,404	-	-	108,404
Insurance	20,863	350	3,127	24,340
Interest	4,284	635	370	5,289
Loss on disposal of assets	43,633	-	-	43,633
Maintenance	17,558	-	-	17,558
Marketing and advertising	8,753	973	-	9,726
Miscellaneous	4,278	1,233	-	5,511
Other program costs	15,568	-	-	15,568
Professional fees	9,223	9,223	-	18,446
Supplies	10,025	296	414	10,735
Taxes and licenses	1,159	158	-	1,317
Utilities	7,893	1,076	-	8,969
Total expenses	\$ 639,697	\$ 58,568	\$ 75,948	\$ 774,213

**NAPLES EQUESTRIAN
CHALLENGE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 208,996	\$ 28,632	\$ 51,880	\$ 289,508
Payroll taxes and employee benefits	32,514	4,454	8,071	45,039
Total salaries and related expenses	<u>241,510</u>	<u>33,086</u>	<u>59,951</u>	<u>334,547</u>
Bank charges	314	-	15,378	15,692
Computer technology	6,282	194	-	6,476
Depreciation	55,597	10,239	-	65,836
Horse and barn operating expenses	67,029	-	-	67,029
In kind expenses - Note 7	91,294	-	-	91,294
Insurance	14,913	362	2,633	17,908
Interest	8,836	1,309	764	10,909
Loss on disposal of assets	6,288	-	-	6,288
Maintenance	21,489	-	-	21,489
Marketing and advertising	13,226	1,470	-	14,696
Miscellaneous	4,989	1,789	-	6,778
Other program costs	17,236	-	-	17,236
Professional fees	13,464	13,463	-	26,927
Supplies	11,985	447	625	13,057
Taxes and licenses	22,604	3,082	-	25,686
Utilities	7,141	974	-	8,115
Total expenses	<u>\$ 604,197</u>	<u>\$ 66,415</u>	<u>\$ 79,351</u>	<u>\$ 749,963</u>

**NAPLES EQUESTRIAN
CHALLENGE, INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government units	\$ -	\$ 520,000
Cash received from contributions	622,514	522,714
Grants received	172,832	113,000
Rental and board fees	-	17,100
Rider fees	66,100	60,355
Exercise riding lessons	699	1,400
Special event and other income	433,223	319,414
Cash paid to suppliers and employees	(723,839)	(723,255)
Interest earned	1,111	90
Net cash provided by operating activities	572,640	830,818
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(140,981)	(704,921)
Net cash used by investing activities	(140,981)	(704,921)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(3,303)	(148,343)
Principal payments on line of credit	(10,000)	-
Proceeds received on note payable	-	137,000
Proceeds received on line of credit	-	10,000
Net cash used by financing activities	(13,303)	(1,343)
NET INCREASE IN CASH	418,356	124,554
CASH - Beginning of year	243,693	119,139
CASH - End of year	\$ 662,049	\$ 243,693
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 511,493	\$ 753,581
Depreciation	66,364	65,836
Loss on disposal of property and equipment	43,633	6,288
Changes in assets and liabilities:		
Accounts receivable	2,280	5,575
Pledges receivable	(60,000)	-
Other assets	5,000	(5,000)
Prepaid expenses	-	2,384
Accounts payable and accrued expenses	3,870	2,154
Net cash provided by operating activities	\$ 572,640	\$ 830,818
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 5,289	\$ 8,056

NAPLES EQUESTRIAN CHALLENGE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Naples Equestrian Challenge, Inc. (the Organization) is a nonprofit corporation incorporated in 1997 in the State of Florida to provide therapeutic horseback riding to children and adults with disabilities. Program services provided by the Organization include therapeutic horseback riding, summer camps, and school outreach programs. The Organization is supported by donor contributions, grants, rider fees and several fundraising activities. The Organization is affiliated with the Professional Association of Therapeutic Horsemanship International (PATH).

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with the reporting principles of not-for-profit accounting as defined by current accounting standards for general purpose external financial statements of not-for-profit organizations.

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted - Resources over which the board of directors has discretionary control. Designated amounts represent those revenues, which the board has set aside for a particular purpose.

Temporarily restricted - Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time.

Permanently restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources typically permit Organizations to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes. The Organization held no permanently restricted net assets at December 31, 2014 and 2013.

Liquidity

Assets are presented in the statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Organization considers all unrestricted bank and similar deposits, demand deposits, money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents. The Organization maintains bank accounts with balances which, at times, may exceed federally insured limits.

Property and Equipment

The Organization records property and equipment at cost when purchased or at fair market value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets ranging from five to thirty-nine years. The cost of maintenance and repairs is charged as an expense as incurred. All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized.

NAPLES EQUESTRIAN CHALLENGE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions

In accordance with current accounting standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support. All contributions are considered to be available for operations unless specifically restricted by the donor.

Contributed Goods and Services

Contributions of noncash items are recorded at fair value on the date donated. Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain amounts have been allocated among the program, management and general, and fundraising expenses.

Income Taxes

The Internal Revenue Service has determined the Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service to be other than a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization has implemented the standard for uncertain tax positions. As a result, the Organization evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2014. The Organization's tax returns from the tax years ended December 31, 2011 through December 31, 2014 are open to examination by federal authorities.

Fair Value Measurement

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, Fair Value Measurements. This standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Organization currently does not measure any of its assets or liabilities at fair value and is not required under generally accepted accounting principles to disclose the fair value of its financial instruments.

The Organization also adopted the fair value option for financial assets and liabilities standard. This standard allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by contract basis. The Organization has not elected to measure any existing financial instruments at fair value. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Donated Services

The Organization receives a significant benefit from volunteer work provided by parents and other interested parties. These services do not meet the reporting requirement of skilled professional labor and, as a result, the value of such services is not reflected in these financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure 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.

NAPLES EQUESTRIAN CHALLENGE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 19, 2015, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 781,671	\$ 781,671
Buildings	750,871	797,847
Site improvements	674,310	627,562
Horses	40,949	47,450
Equipment	70,408	65,493
Furniture and fixtures	21,951	14,024
Construction in progress	<u>57,150</u>	<u>1,500</u>
	2,397,310	2,335,547
Less accumulated depreciation	<u>(592,335)</u>	<u>(561,556)</u>
Total	<u>\$ 1,804,975</u>	<u>\$ 1,773,991</u>

Depreciation expense was \$66,364 and \$65,836 for the years ended December 31, 2014 and 2013 , respectively.

NOTE 3 - PLEDGES RECEIVABLE

Pledges consist of unconditional promises to give and are due as follows:

<u>Year ending December 31,</u>	
2015	\$ 25,000
2016	25,000
2017	5,000
2018	<u>5,000</u>
	<u>\$ 60,000</u>

NOTE 4 - MORTGAGE NOTE PAYABLE

Mortgage note payable to First Florida Integrity Bank, interest rate is 3.85%, at December 31, 2013 and 2014, collateralized by building and fixtures, monthly payments totaling \$716 due through the maturity date of December 2018, when final balloon principal payment is due.

	<u>2014</u>	<u>2013</u>
	\$ 133,697	\$ 137,000

NAPLES EQUESTRIAN CHALLENGE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2014 AND 2013

NOTE 4 - MORTGAGE NOTE PAYABLE - CONTINUED

Future principal payments on the mortgage note payable at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 3,435
2016	3,557
2017	3,713
2018	122,992
	<u>\$ 133,697</u>

NOTE 5 - LINE OF CREDIT

The Organization has a line of credit with First Florida Integrity Bank in the amount of \$50,000. As of December 31, 2014 there was no amount outstanding. The interest rate on the line of credit at December 31, 2014 was 3.25%. The credit line is secured by the Organization's mortgage with First Florida Integrity Bank.

In August 2013, the Organization received a \$50,000 unsecured line of credit from June F Gardy DDS, PA. Funds borrowed on the line of credit in August 2013 were repaid in June 2014. June F Gardy was a member of the 2014 Board of Directors. This line of credit has not been renewed.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Horse retirement	\$ 13,319	\$ 9,058
Operation Strides and other programs	43,396	63,328
Facility expansion project	627,886	215,014
	<u>\$ 684,601</u>	<u>\$ 287,400</u>

NOTE 7 - IN KIND CONTRIBUTIONS

In kind contributions consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Revenue in kind		
Professional services	\$ 2,000	\$ 6,445
Horses	4,999	9,000
Timeshare	-	24,100
Landscape services	25,943	17,675
Advertising	-	16,000
Auction items and other donations and services	80,661	51,174
Total revenue in kind	<u>113,603</u>	<u>124,394</u>
Less capitalized items:		
Horses	(5,199)	(9,000)
Timeshare	-	(24,100)
Total expenses in kind	<u>\$ 108,404</u>	<u>\$ 91,294</u>

NAPLES EQUESTRIAN CHALLENGE, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2014 AND 2013

NOTE 8 - RENTAL INCOME

The Organization leased two homes on its property to renters during 2013. A one-bedroom guest house was rented under a non-cancellable operating lease ended on September 30, 2013. The second home was leased under a month to month contract. Both homes were not rented from October 1, 2013 to December 31, 2013, due to requirements outlined in the Organizations conditional use permit. Neither home was rented during 2014.

Rental income totaled \$17,100 for the year ended December 31, 2013.

NOTE 9 - SPECIAL EVENTS, NET

Revenues and expenses from the various special events consist of the following:

	<u>2014</u>	<u>2013</u>
Revenues	\$ 428,183	\$ 316,642
Less: Expenses	<u>(182,096)</u>	<u>(169,348)</u>
Net Total	<u>\$ 246,087</u>	<u>\$ 147,294</u>

NOTE 10 - CONCENTRATIONS

At year-end and throughout the year, the Organization's cash balances were invested in one financial institution. At December 31, 2014, the Organization had \$403,846 in excess of FDIC insurance coverage.

NOTE 11 - RECLASSIFICATION OF NET ASSETS

During the year ended December 31, 2013, the Organization performed a detailed analysis of funds received with donor restrictions, including amounts received in prior years. As a result of this analysis, a reclassification was made to reduce temporarily restricted net assets by \$38,795 and increase unrestricted net assets by the same amount.