

NAPLES EQUESTRIAN CHALLENGE, INC.
AKA NAPLES THERAPEUTIC RIDING CENTER

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NAPLES EQUESTRIAN CHALLENGE, INC.
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FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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PART I

Financial Statements and Schedule of Expenditures of Federal Awards

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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 non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 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, 2016 and 2015, 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.

Naples Equestrian Challenge, Inc.
Naples, Florida

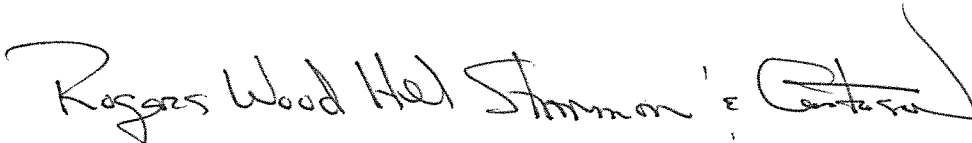
INDEPENDENT AUDITOR'S REPORT, continued

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 1, 2017 on our consideration of Naples Equestrian Challenge, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Naples Equestrian Challenge, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rogers Wood Hill Starman & Gustason". To the right of the signature is a circular stamp or seal, partially obscured by the signature's flourish.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
Naples, FL
June 1, 2017

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,264,401	\$ 989,876
Investments	262,826	-
Accounts receivable	6,895	6,675
Grants receivable	493,798	-
Pledges receivable	307,500	200,167
Prepaid expenses	7,221	7,115
Property and equipment, net	<u>4,239,527</u>	<u>1,862,182</u>
Total assets	<u>\$ 6,582,168</u>	<u>\$ 3,066,015</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 887,211	\$ 21,846
Mortgage note payable	<u>126,705</u>	<u>130,262</u>
Total liabilities	<u>1,013,916</u>	<u>152,108</u>
Net assets:		
Unrestricted:		
Board designated-endowment	50,000	-
Board designated-reserve	50,016	-
Designated for property and equipment	4,239,527	1,862,182
Undesignated	<u>371,792</u>	<u>23,878</u>
Total unrestricted net assets	<u>4,711,335</u>	<u>1,886,060</u>
Restricted:		
Temporarily restricted	756,917	1,027,847
Permanently restricted-endowment	<u>100,000</u>	<u>-</u>
Total restricted net assets	<u>856,917</u>	<u>1,027,847</u>
Total net assets	<u>5,568,252</u>	<u>2,913,907</u>
Total liabilities and net assets	<u>\$ 6,582,168</u>	<u>\$ 3,066,015</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Support from government units	\$ 963,750	\$ -	\$ -	\$ 963,750
Cash contributions	194,978	1,320,675	100,000	1,615,653
In-kind contributions	159,923	-	-	159,923
Private grant income	339,100	-	-	339,100
Rider fees	62,520	-	-	62,520
Special events, net	168,861	-	-	168,861
Rental income	8,400	-	-	8,400
Interest income	4,170	-	-	4,170
Miscellaneous income	4,364	-	-	4,364
BP claim settlement	220,343	-	-	220,343
Total revenues and support	2,126,409	1,320,675	100,000	3,547,084
Net assets released from restrictions	1,591,605	(1,591,605)	-	-
Total revenues, support and net assets released from restrictions	3,718,014	(270,930)	100,000	3,547,084
EXPENSES:				
Program services	731,146	-	-	731,146
Management and general	74,925	-	-	74,925
Fundraising	86,668	-	-	86,668
Total expenses	892,739	-	-	892,739
INCREASE (DECREASE) IN NET ASSETS	2,825,275	(270,930)	100,000	2,654,345
NET ASSETS - Beginning of year	1,886,060	1,027,847	-	2,913,907
NET ASSETS - End of year	\$ 4,711,335	\$ 756,917	\$ 100,000	\$ 5,568,252

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Cash contributions	\$ 152,126	\$ 426,248	\$ -	\$ 578,374
In-kind contributions	95,987	-	-	95,987
Private grant income	357,895	-	-	357,895
Rider fees	69,538	-	-	69,538
Special events, net	143,524	7,000	-	150,524
Rental income	3,500	-	-	3,500
Interest income	3,083	-	-	3,083
Miscellaneous income	4,118	-	-	4,118
Total revenues and support	829,771	433,248	-	1,263,019
Net assets released from restrictions	130,002	(130,002)	-	-
Total revenues, support and net assets released from restrictions	959,773	303,246	-	1,263,019
EXPENSES:				
Program services	589,608	-	-	589,608
Management and general	63,113	-	-	63,113
Fundraising	79,081	-	-	79,081
Total expenses	731,802	-	-	731,802
INCREASE IN NET ASSETS	227,971	303,246	-	531,217
NET ASSETS - Beginning of year	1,658,089	724,601	-	2,382,690
NET ASSETS - End of year	\$ 1,886,060	\$ 1,027,847	\$ -	\$ 2,913,907

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 252,007	\$ 34,525	\$ 62,557	\$ 349,089
Payroll taxes and employee benefits	53,701	7,357	13,330	74,388
Total salaries and related expenses	<u>305,708</u>	<u>41,882</u>	<u>75,887</u>	<u>423,477</u>
Bank charges	143	-	6,991	7,134
Computer technology	4,754	147	-	4,901
Depreciation	65,513	10,210	-	75,723
Horse and barn operating expenses	82,463	-	-	82,463
In-kind expenses	158,323	-	-	158,323
Insurance	19,162	350	3,073	22,585
Interest	4,079	604	352	5,035
(Gain)/Loss on disposal of assets	(478)	-	-	(478)
Maintenance	19,318	-	-	19,318
Marketing and advertising	9,594	1,066	-	10,660
Miscellaneous	14,753	1,675	-	16,428
Other program costs	12,937	-	-	12,937
Professional fees	17,868	17,869	-	35,737
Supplies	10,685	260	365	11,310
Taxes and licenses	698	95	-	793
Utilities	5,626	767	-	6,393
Total expenses	<u>\$ 731,146</u>	<u>\$ 74,925</u>	<u>\$ 86,668</u>	<u>\$ 892,739</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 218,734	\$ 29,966	\$ 54,297	\$ 302,997
Payroll taxes and employee benefits	47,159	6,461	11,706	65,326
Total salaries and related expenses	<u>265,893</u>	<u>36,427</u>	<u>66,003</u>	<u>368,323</u>
Bank charges	191	-	9,361	9,552
Computer technology	6,558	203	-	6,761
Depreciation	59,630	10,210	-	69,840
Horse and barn operating expenses	63,219	-	-	63,219
In-kind expenses	85,077	-	-	85,077
Insurance	21,256	350	3,015	24,621
Interest	4,178	619	361	5,158
(Gain)/Loss on disposal of assets	4,361	-	-	4,361
Maintenance	14,702	-	-	14,702
Marketing and advertising	8,740	971	-	9,711
Miscellaneous	11,728	1,771	-	13,499
Other program costs	14,445	-	-	14,445
Professional fees	11,298	11,299	-	22,597
Supplies	10,854	244	341	11,439
Taxes and licenses	392	53	-	445
Utilities	7,086	966	-	8,052
Total expenses	<u>\$ 589,608</u>	<u>\$ 63,113</u>	<u>\$ 79,081</u>	<u>\$ 731,802</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government units	\$ 469,952	\$ -
Cash received from contributions	1,458,199	433,621
Private grants received	339,100	357,895
Rental fees	8,400	3,500
Rider fees	62,520	69,538
Special event and other income	383,226	352,112
BP claim settlement received	220,343	-
Cash paid to suppliers and employees	(864,265)	(757,080)
Interest earned	4,170	3,083
Net cash provided by operating activities	<u>2,081,645</u>	<u>462,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(262,826)	-
Proceeds from sale of property and equipment	1,500	-
Purchase of property and equipment	(1,592,237)	(131,407)
Net cash used by investing activities	<u>(1,853,563)</u>	<u>(131,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(3,557)	(3,435)
Additions to Endowment	50,000	-
Net cash provided (used) by financing activities	<u>46,443</u>	<u>(3,435)</u>
NET INCREASE IN CASH	274,525	327,827
CASH - Beginning of year	<u>989,876</u>	<u>662,049</u>
CASH - End of year	<u>\$ 1,264,401</u>	<u>\$ 989,876</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,654,345	\$ 531,217
Depreciation	75,723	69,839
Restricted contributions to endowment	(50,000)	-
Gain on disposal of property and equipment	(478)	4,361
Changes in assets and liabilities:		
Accounts receivable	(220)	(4,585)
Grants receivable	(493,798)	-
Pledges receivable	(107,333)	(140,167)
Prepaid expenses	(106)	(307)
Accounts payable and accrued expenses	3,512	2,311
Net cash provided by operating activities	<u>\$ 2,081,645</u>	<u>\$ 462,669</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 5,035</u>	<u>\$ 5,158</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Naples Equestrian Challenge, Inc., also known as Naples Therapeutic Riding Center (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, or related investments for unrestricted or temporarily restricted purposes.

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, 2016 AND 2015

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, 2016. The Organization's tax returns from the tax years ended December 31, 2013 through December 31, 2016 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 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, 2016 AND 2015

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

Investments

Investments are initially recorded at cost, if purchased, or, if donated, at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in unrestricted net assets, unless restricted by the donor, in which case the amounts are reflected as temporarily restricted until expended according to the donors' stipulations.

Reclassifications

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

NOTE 2 - INVESTMENTS

Investments consist of the following:

	Cost 2016	Fair Market Value 2016
Federal money market fund-endowment	\$ 100,000	\$ 100,022
Federal money market fund-Board designated reserve	50,000	50,016
Certificates of deposit	112,457	112,788
	<u>\$ 262,457</u>	<u>\$ 262,826</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2016	2015
Land	\$ 781,671	\$ 781,671
Buildings	750,871	750,871
Site improvements	683,549	679,159
Horses	34,350	39,450
Equipment	94,835	98,159
Furniture and fixtures	45,411	45,411
Construction in progress	2,565,460	123,465
	4,956,147	2,518,186
Less accumulated depreciation	(716,620)	(656,004)
Total	<u>\$ 4,239,527</u>	<u>\$ 1,862,182</u>

Depreciation expense was \$75,723 and \$69,840 for the years ended December 31, 2016 and 2015, respectively.

NOTE 4 - PLEDGES RECEIVABLE

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

Year ending December 31,	
2017	\$ 230,500
2018	63,000
2019	14,000
	<u>\$ 307,500</u>

The Organization has one conditional pledge of \$100,000, which has not been recorded as of December 31, 2016, to be received over the next two years for barn and program expenses. It is contingent upon the measurable impact of the pledge as well as a satisfactory site visit.

Management believes all of the pledges receivable are fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded.

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2016 AND 2015

NOTE 5 - PUBLIC SUPPORT RECEIVABLE

Public support receivable consists of the following at December 31, 2016:

Collier County-Community Development Block Grant CD14-14 Phase III	\$ 356,664
Collier County-Community Development Block Grant CD15-03 Phase IV	137,134
	<u>\$ 493,798</u>

NOTE 6 - MORTGAGE NOTE PAYABLE

	<u>2016</u>	<u>2015</u>
Mortgage note payable to First Florida Integrity Bank, interest rate is 3.85%, at December 31, 2016 and 2015, collateralized by building and fixtures, monthly payments totaling \$716 due through the maturity date, December 2018, when final balloon principal payment is due.	<u>\$ 126,705</u>	<u>\$ 130,262</u>

Future principal payments on the mortgage note payable at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 3,713
2018	122,992
	<u>\$ 126,705</u>

NOTE 7 - LINE OF CREDIT

In December 2015, the Organization renewed its line of credit with First Florida Integrity Bank in the amount of \$50,000. As of December 31, 2016, there was no amount outstanding. The interest rate on the line of credit at December 31, 2016 was 3.25%. The credit line is secured by the Organization's property and equipment.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Horse retirement	\$ 27,574	\$ 22,728
Barn dance sponsorships	-	27,000
Operation Strides	12,686	24,599
Program grants	-	49,055
Facility expansion project	716,657	904,465
	<u>\$ 756,917</u>	<u>\$ 1,027,847</u>

NOTE 9 - SUPPORT FROM GOVERNMENT UNITS

For the year ended December 31, 2016, the grant revenue was earned as follows:

CDBG Phase III- Site Development and Landscaping	\$ 463,750
CDBG Phase IV-Construction	500,000
	<u>\$ 963,750</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2016 AND 2015

NOTE 10 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2016</u>	<u>2015</u>
Revenue in kind		
Professional services	\$ 55,522	\$ 600
Horses	1,600	5,500
Flooring	-	4,910
Event sound system and equipment	9,500	-
Landscape services	26,083	27,751
Auction items and other donations and services	<u>67,218</u>	<u>57,226</u>
Total revenue in kind	159,923	95,987
Less capitalized items:		
Horses	(1,600)	(6,000)
Flooring	<u>-</u>	<u>(4,910)</u>
Total expenses in kind	<u>\$ 158,323</u>	<u>\$ 85,077</u>

NOTE 11 - FAIR VALUE MEASUREMENTS

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasized that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2016:

	<u>Fair Value</u>	<u>Level 1</u>
Money market funds	\$ 150,038	\$ 150,038
Certificates of deposit	112,788	112,788
	<u>\$ 262,826</u>	<u>\$ 262,826</u>

NOTE 12 - RENTAL INCOME

The Organization began leasing a single family home on its property to an employee in August of 2015. The home is being rented under a non-cancellable operating lease through April 30, 2018 for \$700 a month.

For the year ended December 31, 2016 and 2015, rental income totaled \$8,400 and \$3,500, respectively.

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2016 AND 2015

NOTE 13 - SPECIAL EVENTS, NET

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

	2016	2015
Revenues	\$ 378,861	\$ 347,994
Less: Expenses	(210,000)	(197,470)
Net Total	\$ 168,861	\$ 150,524

NOTE 14 - ENDOWMENT

The Organization has a permanently restricted endowment fund established for the purpose of providing income to support general operations. The Organization also has an unrestricted board designated fund established to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment fund are classified and reported based on the existence or absences of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

	Unrestricted Board-Designated Endowment Funds	Permanently Restricted Endowment Funds	Total
Endowment net assets, December 31, 2015	\$ -	\$ -	\$ -
Investment income	-	23	23
Contributions to endowment	50,000	100,000	150,000
Appropriated investment earnings	-	(23)	(23)
Endowment net assets, December 31, 2016	\$ 50,000	\$ 100,000	\$ 150,000

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. As of December 31, 2016, there were no deficiencies of this nature.

Spending Policy

Endowment funds were established to support the general purposes of the Organization. As a result, the Organization's policy is to classify all net investment earnings to unrestricted net assets.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Organization's uninsured cash balance totaled approximately \$875,000.

NOTE 16 - SUBSEQUENT EVENTS

In February 2017, during a walk-thru of the facility expansion project, it was noted that the support columns and I-beams of the roof had rust that should have been sanded and touched up at installation. This was never completed, therefore, the Organization has contacted their attorney to assist with remediation. The estimated cost to repair is \$30,000.

Subsequent events were evaluated through June 1, 2017, which is the date the financial statements were available to be issued.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
and
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NAPLES EQUESTRIAN CHALLENGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL AGENCY <i>Pass-through Entity</i> Federal Program	Period of Availability	CFDA NUMBER	GRANT/ CONTRACT NUMBER	Awards	Expenditures
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed through Collier County, Florida</i>					
Community Development Block Grants	05/12/2015 – 03/31/2018	14.218	B-13-UC-12-0016, B-12-UC-0016, B-11-UC-12-0016, B-10-UC-12-0016, B-09-UC-12-0016, B-08-UC-12-0016, B-07-UC-12-0016, B-06-UC-12-0016, B-05-UC-12-0016	\$ 500,000	\$ 463,750
Community Development Block Grants	10/01/2015 – 03/31/2018	14.218	B-15-UC-12-0016, B-10-UC-12-0016	500,000	500,000
Total Community Development Block Grants				<u>1,000,000</u>	<u>963,750</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,000,000</u></u>	<u><u>\$ 963,750</u></u>

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - DECEMBER 31, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pass-through entity identifying numbers are presented where available.

PART II
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

ROGERS WOOD HILL STARMAN & GUSTASON

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the financial statements of Naples Equestrian Challenge, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Naples Equestrian Challenge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Naples Equestrian Challenge, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Naples Equestrian Challenge, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses [2016-001, 2016-002, 2016-003] and a significant deficiency [2016-004].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Naples Equestrian Challenge, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

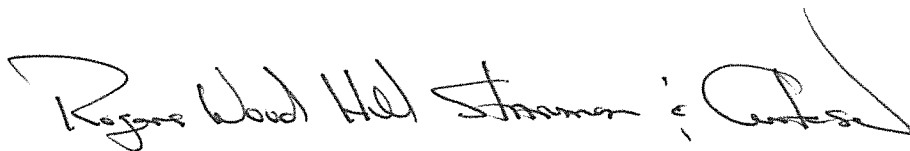
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

Naples Equestrian Challenge, Inc.'s Response to Findings

Naples Equestrian Challenge, Inc.'s response to the findings identified in our audit are described in the accompanying corrective action plan. Naples Equestrian Challenge, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Rogers Wood Hill Starman & Gustason". The signature is written in a cursive, flowing style.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
Naples, FL
June 1, 2017

ROGERS WOOD HILL STARMAN & GUSTASON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Naples Equestrian Challenge, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Naples Equestrian Challenge, Inc.'s major federal programs for the year ended December 31, 2016. Naples Equestrian Challenge, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Naples Equestrian Challenge, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Naples Equestrian Challenge, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Naples Equestrian Challenge, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Naples Equestrian Challenge, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, continued

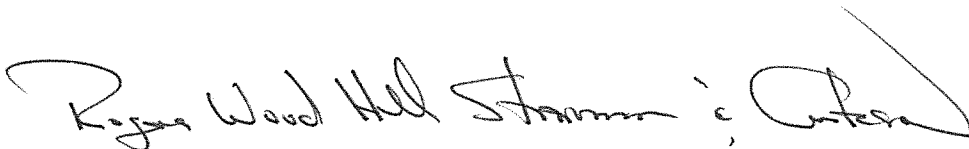
Report on Internal Control over Compliance

Management of Naples Equestrian Challenge, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Naples Equestrian Challenge, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Naples Equestrian Challenge, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
Naples, FL
June 1, 2017