

NAPLES EQUESTRIAN CHALLENGE, INC.
AKA NAPLES THERAPEUTIC RIDING CENTER

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NAPLES EQUESTRIAN CHALLENGE, INC.
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FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017 and 2016, 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 & Advisors
Naples, FL
August 17, 2018

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 570,398	\$ 1,264,401
Investments	318,108	262,826
Accounts receivable	11,163	6,895
Grants receivable	100,000	493,798
Pledges receivable	79,250	307,500
Prepaid expenses	11,185	7,221
Deposits and other assets	135,335	-
Property and equipment, net	4,746,134	4,239,527
Total assets	<u>\$ 5,971,573</u>	<u>\$ 6,582,168</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 84,146	\$ 887,211
Other liabilities	85,000	-
Mortgage note payable	-	126,705
Total liabilities	<u>169,146</u>	<u>1,013,916</u>
Net assets:		
Unrestricted:		
Board designated-endowment	51,209	50,023
Board designated-reserve	52,443	50,016
Designated for property and equipment	4,746,134	4,239,527
Undesignated	631,977	371,769
Total unrestricted net assets	<u>5,481,763</u>	<u>4,711,335</u>
Restricted:		
Temporarily restricted	220,664	756,917
Permanently restricted-endowment	100,000	100,000
Total restricted net assets	<u>320,664</u>	<u>856,917</u>
Total net assets	<u>5,802,427</u>	<u>5,568,252</u>
Total liabilities and net assets	<u>\$ 5,971,573</u>	<u>\$ 6,582,168</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Support from government units	\$ 36,250	\$ -	\$ -	\$ 36,250
Cash contributions	169,139	45,778	-	214,917
In-kind contributions	79,648	-	-	79,648
Private grant income	517,897	26,103	-	544,000
Rider fees	56,026	-	-	56,026
Special events, net	263,843	-	-	263,843
Rental income	8,400	-	-	8,400
Interest income	5,420	-	-	5,420
Miscellaneous income	4,942	-	-	4,942
Hurricane Irma claim income	18,153	-	-	18,153
	<hr/>			
Total revenues and support	1,159,718	71,881	-	1,231,599
Net assets released from restrictions	608,134	(608,134)	-	-
	<hr/>			
Total revenues, support and net assets released from restrictions	1,767,852	(536,253)	-	1,231,599
	<hr/>			
EXPENSES:				
Program services	819,844	-	-	819,844
Management and general	78,332	-	-	78,332
Fundraising	99,248	-	-	99,248
Total expenses	997,424	-	-	997,424
	<hr/>			
INCREASE (DECREASE) IN NET ASSETS	770,428	(536,253)	-	234,175
NET ASSETS - Beginning of year	4,711,335	756,917	100,000	5,568,252
	<hr/>			
NET ASSETS - End of year	\$ 5,481,763	\$ 220,664	\$ 100,000	\$ 5,802,427
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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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 304,345	\$ 41,695	\$ 75,549	\$ 421,589
Payroll taxes and employee benefits	58,431	8,005	14,504	80,940
Total salaries and related expenses	<u>362,776</u>	<u>49,700</u>	<u>90,053</u>	<u>502,529</u>
Bank charges	66	-	3,248	3,314
Computer technology	2,487	77	-	2,564
Depreciation	139,346	10,210	-	149,556
Horse and barn operating expenses	91,149	-	-	91,149
In-kind expenses	71,148	-	-	71,148
Insurance	28,965	350	5,178	34,493
Interest	4,070	603	352	5,025
(Gain)/Loss on disposal of assets	2,347	-	-	2,347
Maintenance	41,270	-	-	41,270
Marketing and advertising	6,735	748	-	7,483
Miscellaneous	11,809	2,811	-	14,620
Other program costs	23,712	-	-	23,712
Professional fees	12,202	12,201	-	24,403
Supplies	11,979	298	417	12,694
Taxes and licenses	624	85	-	709
Utilities	9,159	1,249	-	10,408
Total expenses	<u>\$ 819,844</u>	<u>\$ 78,332</u>	<u>\$ 99,248</u>	<u>\$ 997,424</u>

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	305,708	41,882	75,887	423,477
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	\$ 731,146	\$ 74,925	\$ 86,668	\$ 892,739

NAPLES EQUESTRIAN CHALLENGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government units	\$ 430,048	\$ 469,952
Cash received from contributions	362,981	1,458,199
Private grants received	517,897	339,100
Rental fees	8,400	8,400
Rider fees	56,026	62,520
Special event and other income	467,932	383,226
BP claim received	-	220,343
Hurricane Irma claim received	18,153	-
Cash paid to suppliers and employees	(1,010,532)	(864,265)
Interest earned	4,234	4,170
Net cash provided by operating activities	<u>855,139</u>	<u>2,081,645</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	(1,472,437)	(1,592,237)
Net cash used by investing activities	<u>(1,472,437)</u>	<u>(1,853,563)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(126,705)	(3,557)
Additions to endowment	50,000	50,000
Net cash provided (used) by financing activities	<u>(76,705)</u>	<u>46,443</u>
NET INCREASE (DECREASE) IN CASH	(694,003)	274,525
CASH - Beginning of year	1,264,401	989,876
CASH - End of year	<u>\$ 570,398</u>	<u>\$ 1,264,401</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 234,175	\$ 2,654,345
Depreciation	149,556	75,723
Restricted contributions to endowment	(50,000)	(50,000)
Income on restricted funds	(1,186)	-
Gain (loss) on disposal of property and equipment	2,347	(478)
Changes in assets and liabilities:		
Accounts receivable	(6,289)	(220)
Grants receivable	393,798	(493,798)
Pledges receivable	178,250	(107,333)
Prepaid expenses	(3,964)	(106)
Deposits and other assets	(135,335)	-
Accounts payable and accrued expenses	93,787	3,512
Net cash provided by operating activities	<u>\$ 855,139</u>	<u>\$ 2,081,645</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 5,025</u>	<u>\$ 5,035</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017 AND 2016

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 that extend the useful life of assets and are in excess of \$1,000 are capitalized.

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017 AND 2016

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, 2017. The Organization's tax returns from the tax years ended December 31, 2014 through December 31, 2017 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 the existing accounting pronouncement.

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.

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, 2017 AND 2016

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 2017	Fair Market Value 2017
Federal money market fund-endowment	\$ 100,000	\$ 151,209
Federal money market fund-Board designated reserve	50,000	52,443
Certificates of deposit	112,457	114,456
	<u>\$ 262,457</u>	<u>\$ 318,108</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2017	2016
Land	\$ 781,671	\$ 781,671
Buildings	3,849,533	750,871
Site improvements	701,618	683,549
Horses	27,450	34,350
Equipment	143,965	94,835
Furniture and fixtures	93,920	45,411
Construction in progress	-	2,565,460
	<u>5,598,157</u>	<u>4,956,147</u>
Less accumulated depreciation	(852,023)	(716,620)
Total	<u>\$ 4,746,134</u>	<u>\$ 4,239,527</u>

Depreciation expense was \$149,556 and \$75,723 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 - PLEDGES RECEIVABLE

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

Year ending December 31,	
2018	\$ 65,250
2019	14,000
	<u>\$ 79,250</u>

The Organization has one conditional pledge of \$25,000, which has not been recorded as of December 31, 2017, to be received next year 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, 2017 AND 2016

NOTE 5 - PUBLIC SUPPORT RECEIVABLE

Public support receivable consists of the following at December 31, 2017:

Collier County-Community Development Block Grant CD14-14 Phase III	\$ 50,000
Collier County-Community Development Block Grant CD15-03 Phase IV	50,000
	<u>\$ 100,000</u>

NOTE 6 - MORTGAGE NOTE PAYABLE

	<u>2017</u>	<u>2016</u>
Mortgage note payable to First Florida Integrity Bank, interest rate is 3.85%, at December 31, 2016, collateralized by building and fixtures, monthly payments totaling \$716. Mortgage note payable was paid off one year early in December 2017.	\$ -	\$ 126,705

NOTE 7 - LINE OF CREDIT

In December 2017, the Organization renewed its line of credit with First Florida Integrity Bank in the amount of \$75,000. As of December 31, 2017, there was no amount outstanding. The interest rate on the line of credit at December 31, 2017 was 4.25%. 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>2017</u>	<u>2016</u>
Horse retirement	\$ 51,170	\$ 27,574
Operation Strides	11,684	12,686
Program grants	26,103	-
Facility expansion project	131,707	716,657
	<u>\$ 220,664</u>	<u>\$ 756,917</u>

NOTE 9 - SUPPORT FROM GOVERNMENT UNITS

For the year ended December 31, 2017, the grant revenue was earned as follows:

CDBG Phase III- Site Development and Landscaping	<u>\$ 36,250</u>
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NOTE 10 - 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.

Rental income totaled \$8,400 for the year ended December 31, 2017 and 2016.

NOTE 11 - 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, 2017, the Organization's uninsured cash balance totaled approximately \$290,000.

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017 AND 2016

NOTE 12 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2017</u>	<u>2016</u>
Revenue in kind		
Professional services	\$ -	\$ 55,522
Horses	8,500	1,600
Event sound system and equipment	12,000	9,500
Landscape services	21,140	26,083
Auction items and other donations and services	38,008	67,218
Total revenue in kind	<u>79,648</u>	<u>159,923</u>
Less capitalized items:		
Horses	(8,500)	(1,600)
Total expenses in kind	<u>\$ 71,148</u>	<u>\$ 158,323</u>

NOTE 13 - 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, 2017:

	<u>Fair Value</u>	<u>Level 1</u>
Money market funds	\$ 203,652	\$ 203,652
Certificates of deposit	114,456	114,456
	<u>\$ 318,108</u>	<u>\$ 318,108</u>

NAPLES EQUESTRIAN CHALLENGE, INC.
NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017 AND 2016

NOTE 14 - SPECIAL EVENTS, NET

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

	<u>2017</u>	<u>2016</u>
Revenues	\$ 462,990	\$ 378,861
Less: Expenses	(199,147)	(210,000)
Net Total	<u>\$ 263,843</u>	<u>\$ 168,861</u>

NOTE 15 - 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 funds 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, 2016	\$ 50,023	\$ 100,000	\$ 150,023
Investment income	-	1,186	1,186
Contributions to endowment	-	-	-
Appropriated investment earnings	1,186	(1,186)	-
Endowment net assets, December 31, 2017	<u>\$ 51,209</u>	<u>\$ 100,000</u>	<u>\$ 151,209</u>

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, 2017, 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 16 - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 17, 2018, which is the date the financial statements were available to be issued.