



GIANT STEPS
THERAPEUTIC EQUESTRIAN CENTER, INC.

(A California Not-For-Profit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND DECEMBER 31, 2014



GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
(A California Not-For-Profit Corporation)

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Independent Auditors' Report

Board of Directors
Giant Steps Therapeutic Equestrian Center, Inc.

We have audited the accompanying consolidated financial statements of Giant Steps Therapeutic Equestrian Center, Inc. (a California non-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2015 and December 31, 2014 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatements 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 in 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giant Steps Therapeutic Equestrian Center, Inc. as of December 31, 2015 and December 31, 2014 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.

A handwritten signature in cursive script that reads "Rina Accountancy Corporation".

Certified Public Accountants

San Francisco, California
June 24, 2016

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
(A California Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
CURRENT:		
Cash and cash equivalents	\$ 875,008	\$ 680,253
Accounts receivable	24,392	24,727
Pledges receivable, net	434,001	6,000
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,333,401	710,980
LONG TERM:		
Property, equipment and improvements, net	833,214	785,348
Intangible assets	-	1,265
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,166,615</u>	<u>\$ 1,497,593</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable	\$ 7,183	\$ 8,671
Accrued liabilities	5,951	2,401
Accrued vacation	14,965	14,777
	<hr/>	<hr/>
TOTAL LIABILITIES (ALL CURRENT)	28,099	25,849
NET ASSETS:		
Unrestricted net assets:		
Undesignated	1,210,012	983,661
Board designated	488,083	488,083
	<hr/>	<hr/>
Total unrestricted net assets	1,698,095	1,471,744
Temporarily restricted net assets	440,421	-
Permanently restricted net assets	-	-
	<hr/>	<hr/>
TOTAL NET ASSETS	2,138,516	1,471,744
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,166,615</u>	<u>\$ 1,497,593</u>

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
(A California Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 623,105	\$ 568,836	\$ 1,191,941
Special events income, net	188,498	-	188,498
Program fees	100,190	-	100,190
Other income	(2,378)	-	(2,378)
Net assets released from restrictions	128,415	(128,415)	-
	<u>1,037,830</u>	<u>440,421</u>	<u>1,478,251</u>
TOTAL PUBLIC SUPPORT AND REVENUE			
EXPENSES:			
Program services	554,890	-	554,890
Management and general	68,049	-	68,049
Fundraising	188,540	-	188,540
	<u>811,479</u>	<u>-</u>	<u>811,479</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	226,351	440,421	666,772
NET ASSETS, beginning of year	<u>1,471,744</u>	<u>-</u>	<u>1,471,744</u>
NET ASSETS, end of year	<u>\$ 1,698,095</u>	<u>\$ 440,421</u>	<u>\$ 2,138,516</u>

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
(A California Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 292,737	\$ 116,205	\$ 408,942
Special events income, net	291,933	-	291,933
Program fees	96,639	-	96,639
In-kind services	6,600	-	6,600
Net assets released from restrictions	128,415	(128,415)	-
	<u>816,324</u>	<u>(12,210)</u>	<u>804,114</u>
TOTAL PUBLIC SUPPORT AND REVENUE			
EXPENSES:			
Program services	462,301	-	462,301
Management and general	77,309	-	77,309
Fundraising	98,422	-	98,422
	<u>638,032</u>	<u>-</u>	<u>638,032</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	178,292	(12,210)	166,082
NET ASSETS, beginning of year	<u>1,293,452</u>	<u>12,210</u>	<u>1,305,662</u>
NET ASSETS, end of year	<u>\$ 1,471,744</u>	<u>\$ -</u>	<u>\$ 1,471,744</u>

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
(A California Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Supporting Services				Total Expenses
	Program	Management and General	Special Event	Other Fundraising	
Outside services	\$ 83,367	\$ 15,493	\$ 364,025	\$ 49,363	\$ 512,248
Payroll and payroll taxes	213,224	25,204	-	93,816	332,244
Facility and horse management	123,170	-	-	-	123,170
Supplies and equipment	12,089	8,190	154,331	13,501	188,111
Rental	17,534	2,101	198,134	4,679	222,448
Insurance	40,338	1,999	12,617	8,959	63,913
Printing and reproduction	-	10	35,133	3,628	38,771
Depreciation expense	35,518	870	-	-	36,388
Legal and professional	3,510	12,305	5,525	-	21,340
Advertising and promotion	-	-	29,546	4,695	34,241
Service fees	1,295	25	28,653	6,826	36,799
Repairs and maintenance	12,679	150	53,054	-	65,883
Training and conference	10	-	-	-	10
Communications	6,387	-	-	-	6,387
Postage and delivery	164	763	4,982	1,085	6,994
Meetings	151	212	-	-	363
Meals and entertainment	408	222	392	504	1,526
Travel	-	-	48,213	1,617	49,830
Utilities	2,327	345	-	-	2,672
Interest	18	-	-	-	18
Tax and license	388	150	85	-	623
Dues and subscriptions	2,313	10	21,307	(133)	23,497
Donation	-	-	-	-	-
Awards	-	-	183,246	-	183,246
Miscellaneous	-	-	-	-	-
Special event allocation	-	-	(1,139,243)	-	(1,139,243)
TOTAL EXPENSES	\$ 554,890	\$ 68,049	\$ -	\$ 188,540	\$ 811,479

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Supporting Services				Total Expenses
	Program	Management and General	Special Event	Other Fundraising	
Outside services	\$ 40,221	\$ 19,923	\$ 722,121	\$ 261	\$ 782,526
Payroll and payroll taxes	206,958	(1,218)	-	86,565	292,305
Facility and horse management	120,887	-	-	(510)	120,377
Supplies and equipment	8,355	2,007	53,708	4,613	68,683
Rental	10,452	9,304	35,619	(43)	55,332
Insurance	39,739	-	260	1,148	41,147
Printing and reproduction	1,679	-	31,643	199	33,521
Depreciation expense	-	23,388	-	-	23,388
Legal and professional	-	21,690	-	-	21,690
Advertising and promotion	75	150	14,275	611	15,111
Service fees	975	-	9,133	3,233	13,341
Repairs and maintenance	8,561	93	2,599	-	11,253
Training and conference	5,065	-	3,517	18	8,600
Communications	6,828	334	-	-	7,162
Postage and delivery	2,828	1,153	-	1,570	5,551
Meetings	3,591	-	-	81	3,672
Meals and entertainment	2,395	83	-	508	2,986
Utilities	2,274	252	-	-	2,526
Interest	662	-	-	-	662
Tax and license	397	150	-	20	567
Dues and subscriptions	359	-	-	148	507
Donation	-	-	-	-	-
Awards	-	-	176,111	-	176,111
Miscellaneous	-	-	-	-	-
Special event allocation	-	-	(1,048,986)	-	(1,048,986)
TOTAL EXPENSES	\$ 462,301	\$ 77,309	\$ -	\$ 98,422	\$ 638,032

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2015</u>	<u>Year Ended</u> <u>December 31, 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 666,772	\$ 166,082
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	36,388	23,388
Changes in assets and liabilities:		
Accounts receivables	335	(24,427)
Pledges receivable	(428,001)	3,000
Other current assets	1,265	-
Accounts payable	(1,488)	8,671
Accrued liabilities	3,550	2,401
Accrued vacation	188	421
Total adjustments	<u>(387,763)</u>	<u>13,454</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>279,009</u>	<u>179,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and improvements	<u>(84,254)</u>	<u>(49,840)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(84,254)</u>	<u>(49,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	<u>-</u>	<u>(60,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(60,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	194,755	69,696
CASH AND CASH EQUIVALENTS, beginning of year	<u>680,253</u>	<u>610,557</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 875,008</u>	<u>\$ 680,253</u>

See notes to consolidated financial statements.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Giant Steps Therapeutic Equestrian Center, Inc. (the “Center”) was incorporated in 1997 under the laws of the State of California for the charitable purpose of bringing the proven benefits of therapeutic horseback riding to physically, developmentally, and/or cognitively disabled individuals. The Center has since added ground work programming for individuals living with emotional disabilities. The Center is open to people of all ages with disabilities who reside in the Bay Area Counties. It is a Premier Accredited Center Member of the Professional Association of Therapeutic Horsemanship (PATH) which provides safety standards to its members. The Center’s instructors are certified by PATH. The Center’s support comes primarily from special events, individual donors’ contributions and private grants. The Center receives no government funding.

Giant Steps Charity Classic, Inc. was incorporated on February 20, 2014 under the laws of the State of California for the charitable purpose of operating the Giant Steps Charity Classic horse show and gala. Contributions, revenues and expenses related to this event are now recorded on the books of Charity Classic, Inc. The net proceeds from the Giant Steps Charity Classic specifically and exclusively support Giant Steps Therapeutic Equestrian Center.

Principles of consolidation:

The consolidated financial statements include the accounts of the following affiliates that are doing business as Giant Steps Therapeutic Equestrian Center, Inc., after the elimination of all significant intercompany accounts and transactions:

- Giant Steps Therapeutic Equestrian Center, Inc.
- Giant Steps Charity Classic, Inc.

Financial statement presentation:

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Center as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Currently, there are no permanently restricted assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulation that will be met by action of the Center and or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Board designated – Unrestricted net assets that the board has set aside for specific purposes. The board must provide approval to use these funds with a two-thirds majority vote. The board at its discretion can change the stipulations under which these funds can be utilized.

Cash equivalents:

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Center provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. Management has determined that no allowance is necessary for the years ended December 31, 2015 and December 31, 2014. It is the Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. All receivables are current and are expected to be received within one year.

Property and equipment:

Property and equipment in excess of \$500 for technology and \$1,000 for all other assets are recorded at cost at the date of purchase or as support at their estimated fair value at the date of donation in the case of gifts. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over asset lives of three to ten years.

Revenue recognition:

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Revenues from equine assisted therapy classes are recognized as revenue when the classes are held.

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions, as applicable. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Contributed services:

A large number of individuals perform significant amounts of voluntary services to benefit the Center's program services and in its fundraising campaigns. During 2015 and 2014, approximately 11,414 and 9,778 volunteer hours were donated to the Center. However, since the value of these services do not meet the criteria to be recorded as in-kind, the donated services are not reflected in the financial statements. Donated services provided by instructors and the farrier were valued at \$7,500 and \$14,123 for the years ended December 31, 2015 and 2014, respectively.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Contribution of intangible assets:

During the year ended December 31, 2014 film footage of the horses was donated to the center. The value of this contribution has not been determined; accordingly no revenue has been recognized.

Income taxes:

The Center has received tax-exempt status under Section 509(a) of the Internal Revenue Service Code as an organization described in Section 501(c)(3), and under Section 23701(d) of the California Revenue and Taxation Code. The Center is not a private foundation.

Subsequent events:

Management has evaluated subsequent events through June 24, 2016, the date which the financial statements were available for issue.

Note 2. NATURE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. The Center places its cash and certificates of deposit with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Center has not experienced any losses in such accounts.

The Center is vulnerable to the inherent risk associated with revenue that is substantially dependent on public support and contributions. The continued growth and well-being of the Center is contingent upon successful achievement of its long-term revenue-raising goals. Management is taking steps to address potential changes in funding levels and reduce the Center's exposure to these fluctuations.

GIANT STEPS THERAPEUTIC EQUESTRIAN CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

Note 4. PROPERTY AND EQUIPMENT:

Property and equipment is comprised of the following at December 31:

	December 31,	
	2015	2014
Horses	\$ 28,645	\$ 16,745
Equipment	72,911	15,611
Office machinery	50,732	48,723
Vehicles	46,500	46,500
Video production	6,992	6,992
Software	28,342	26,842
Leasehold improvements	908,053	896,508
	1,142,175	1,057,921
Less: accumulated depreciation	308,961	272,573
Property and equipment, net	\$ 833,214	\$ 785,348

Depreciation expense was \$36,388 and \$23,388 for the years ended December 31, 2015 and December 31, 2014, respectively.

Note 5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended at December 31, 2015.

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Equine and facility support	\$ -	\$ 15,850	\$ 15,850	\$ -
Veteran program	-	30,189	23,389	6,800
Scholarship	-	62,471	62,471	-
Capital project	-	27,100	-	27,100
Veterinary emergency fund	-	2,000	2,000	-
Other	-	250,000	-	250,000
Total temporarily restricted net assets	\$ -	\$ 387,610	\$ 103,710	\$ 283,900

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

Note 5. TEMPORARILY RESTRICTED NET ASSETS (Continued):

Temporarily restricted net assets consisted of the following for the year ended at December 31, 2014.

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Equine and facility support	\$ -	\$ 5,660	\$ 5,660	\$ -
Veteran program	-	22,550	22,550	-
Scholarship	-	27,995	27,995	-
Capital project	12,210	-	12,210	-
Debt elimination	-	60,000	60,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total temporarily restricted net assets	\$ 12,210	\$ 116,205	\$ 128,415	\$ -

Note 6. SPECIAL EVENTS:

During the years ended December 31, 2015 and December 31, 2014, the Center held a Charity Classic Horse Show and Charity Classic Gala. Total revenues and expenses related to these events are as follows:

	2015	2014
Total receipts	\$ 1,327,741	\$ 1,340,919
Total expenses	1,139,243	1,048,986
	<hr/>	<hr/>
Special events, net	\$ 188,498	\$ 291,933

Expenses are included in fundraising expenses (special event) in the statement of functional expenses. These expenses represent 55% of total expenses. All other fundraising expenses represent 8% of total expenses.

Note 7. COMMITMENTS:

At December 31, 2015, the Center was liable under two operating leases. The office lease expires on April 30, 2019. The Center is required to pay \$925 per month. In September 2014, the lessor made a donation to the Center of a 50% monthly rent reduction for 12 months. The operating facilities are leased for \$2,500 per month, increasing to \$2,950 during the lease. The operating facility lease expires November 2017. The Center has two renewable options on the operating facilities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2015 AND DECEMBER 31, 2014

Note 7. COMMITMENTS (Continued):

The leases provides for the following future minimum annual payments:

<u>Years Ending December 31,</u>	<u>Amount</u>
2016	\$ 45,950
2017	43,550
2018	11,100
2019	<u>3,700</u>
Total	<u>\$ 104,300</u>

Rent expense for the years ended December 31, 2015 and December 31, 2014 was \$33,400 and \$45,046, respectively.