Giant Steps Therapeutic Equestrian Center, Inc.

(Reviewed)

Financial Statements

Year ended June 30, 2020

PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Accountant's Review Report

Board of Directors
Giant Steps Therapeutic Equestrian Center, Inc.
Santa Rosa, California

We have reviewed the accompanying financial statements of Giant Steps Therapeutic Equestrian Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the twelve months then ended, and the related notes to the financial statements (collectively, the financial statements). A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Pisenti & Brinker LLP

Santa Rosa, California
February 12, 2021

Statement of Financial Position

		June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	$	719,148
Accounts receivable		6,130
Pledges receivable		20,502
Prepaid expenses		3,097
Total current assets		748,877
Non-current assets		
Investments		1,276,304
Property, equipment and improvements, net		480,418
Total non-current assets		1,756,722
Total assets	$	2,505,599
Liabilities and net assets		
Current liabilities		
Accounts payable	$	3,197
Accrued liabilities		4,271
Accrued vacation		33,848
Paycheck Protection Program loan, current portion		39,438
Total current liabilities		80,754
Long term liabilities		
Paycheck Protection Program loan, net of current maturities		63,362
Net assets		
Without donor restrictions		2,340,981
With donor restrictions		20,502
Total net assets		2,361,483
Total liabilities and net assets	$	2,505,599

Statement of Activities

Year Ended June 30, 2020

	Without Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	$ 529,314	$ 14,502	$ 543,816
Program fees, net of scholarship	133,728	-	133,728
Income from fundraising activities	298,551	-	298,551
In-kind services and goods	44,802	-	44,802
Investment income, net	42,416	-	42,416
Total revenues and gains	1,048,811	14,502	1,063,313
Net assets released from restrictions:			
Satisfaction of purpose restrictions	2,405	(2,405)	-
Satisfaction of time restrictions	2,000	(2,000)	-
Total revenue, gains and other support	1,053,216	10,097	1,063,313
Expenses			
Program services	649,162	-	649,162
Fundraising	275,548	-	275,548
General and administrative	129,095	-	129,095
Total expenses	1,053,805	-	1,053,805
Change in net assets	(589)	10,097	9,508
Net assets at beginning of year	2,341,570	10,405	2,351,975
Net assets at end of year	$ 2,340,981	$ 20,502	$ 2,361,483

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	General and Administrative	Fundraising	Total
Payroll and payroll taxes	$ 295,991	$ 68,794	$ 172,066	$ 536,851
Facility and horse management	155,016	36	-	155,052
Depreciation expense	68,609	-	-	68,609
Insurance	57,772	150	6,970	64,892
Supplies and equipment	11,171	11,155	29,673	51,999
Outside services	3,715	3,270	42,821	49,806
Rent	11,773	11,300	12,523	35,596
Legal and professional	2,408	26,001	-	28,409
Repairs and maintenance	23,335	405	-	23,740
Communications	10,694	250	-	10,944
Service fees	2,256	-	4,900	7,156
Travel	530	1,333	1,918	3,781
Tax and license	434	2,607	347	3,388
Postage and delivery	-	1,588	1,354	2,942
Dues and subscriptions	1,785	360	-	2,145
Advertising and promotion	-	570	1,400	1,970
Utilities	1,532	338	-	1,870
Printing and reproduction	37	-	1,564	1,601
Training and conference	1,570	-	-	1,570
Meals and entertainment	454	113	-	567
Recruitment	80	405	-	485
Meetings	-	420	12	432
Total	$ 649,162	$ 129,095	$ 275,548	$ 1,053,805

Statement of Cash Flows

Year Ended June 30, 2020

	Increase (decrease) in cash and cash equivalents
Cash flows from operating activities	
Change in net assets	$ 9,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	68,609
Net realized and unrealized gain on investments	(36,025)
(Increase) decrease in operating assets:	
Prepaid expenses	2,473
Pledges receivable	1,870
Accounts receivable	(13,386)
Increase (decrease) in operating liabilities:	
Accrued liabilities	2,702
Accounts payable	(5,910)
Accrued vacation	3,269
Net cash provided by operating activities	33,110
Cash flows from investing activities	
Purchase of equipment	(43,896)
Purchase of investments	(15,594)
Net cash used in investing activities	(59,490)
Cash flows from financing activities	
Proceeds on Paycheck Protection Program loan	102,800
Net increase in cash and cash equivalents	76,420
Cash and cash equivalents at beginning of year	642,728
Cash and cash equivalents at end of year	$ 719,148

Note A. Nature of Activities

Giant Steps Therapeutic Equestrian Center, Inc. ("Giant Steps") 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. Giant Steps has since added ground breaking work programming for individuals living with emotional disabilities. Giant Steps 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. Giant Steps' instructors are certified by PATH. Giant Steps' support comes primarily from special events, individual donors' contributions and private grants. Giant Steps receives no government funding.

Giant Steps Charity Classic, Inc. (the "Classic") 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. Contributions, revenues and expenses related to this event are recorded on the books of the Classic. The net proceeds from the Classic specifically and exclusively support Giant Steps. Together, these organizations are known as (the "Center").

The Classic ceased operations as of December 31, 2018 and the organization was formally dissolved with the State of California in October 2019. All assets were transferred over to Giant Steps as of December 31, 2018.

Note B. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Center. The income from these assets is available for either general operations or specific programs as specified by the donor.

Net assets released from restriction – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Note B. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in accounts at a financial institution, and cash balances may exceed the federally insured amounts during the year.

Investments

Investments, which are comprised of mutual funds and exchange traded funds, are carried at fair value. Unrealized gains and losses are included in the statement of activities. Investment earnings restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the earnings are recognized.

Accounts receivable

Accounts receivable represent amounts billed but not yet collected. The Center uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. At June 30, 2020, management determined that no material allowance was necessary. It is the Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property, equipment and improvements

Property, equipment and improvements are stated at cost. Depreciation is computed under the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful lives or the term of the lease agreement during the year of acquisition. Donated property is recorded at the estimated fair value at the date of receipt. 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 temporarily restricted. It is the Center's policy to capitalize property and equipment over $2,500.

Revenue recognition

Revenue from exchange transactions

Program fee revenue from the mounted riding classes and from the ground work programming are recognized as revenue when the classes are held.

Note B. Summary of Significant Accounting Policies (continued)

Contributions and contributed services

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Restricted contributions whose donor-imposed restrictions are fulfilled or expire within the same reporting period are reported as contributions without donor restrictions.

Verifiable pledges for contributions are recorded as pledges receivable. Contributions receivable are recorded at net realizable value. The Center uses the allowance method to reserve for uncollectible accounts and management periodically evaluates the allowance. At June 30, 2020, management determined that no material allowance was necessary.

Donated services provided by instructors and the farrier were valued at $20,573 and $24,229 for the year ended June 30, 2020, respectively. These services are recognized in the statement of activities as in-kind services and goods. A large number of individuals perform significant amounts of voluntary services to benefit the Center's program services and in its fundraising campaigns.

Income taxes

The Center is a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, the Center is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded since management determined that the Center had no unrelated business income.

The Center determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2020, the Center has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Center's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Note B. Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of accounts and pledges receivable, depreciable lives of property, equipment and improvements, and indirect functional expense allocations. Actual results could differ from those estimates.

Recent accounting pronouncements

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which distinguishes the difference between contributions and exchange transactions. Under this ASU, an entity will need to evaluate whether the transaction should be accounted for as a contribution (nonreciprocal transaction) which occurs when the resource provider is not itself receiving commensurate value for the resources provided or as an exchange (reciprocal) transaction which occurs when the resource provider is receiving commensurate value in return for the resources transferred. A determination will also need to be made on whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. This ASU should not be applied on a retrospective basis. The Center is evaluating the impact of this standard on the financial statements.

Note C. Liquidity

Financial assets are considered unavailable due to donor-imposed restrictions or when the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet purpose or time restriction within the next twelve months from the statement of position date. Pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The Center operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants.

Note C. Liquidity (continued)

The following reflects the Center's financial assets reduced by amounts not available for general use within one year:

Cash and cash equivalents	$	719,148
Accounts receivable		6,130
Pledges receivable		20,502
Investments		1,276,304
		2,022,084
Less Funds unavailable for general expenditure within one year due to:		
Donor imposed purpose and time restrictions		(20,502)
Funds available to meet expenditures within one year	$	2,001,582

Note D. Investment Income

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 2020:

Net realized and unrealized gain on investments	$	36,025
Dividends and interest		6,391
Net investment income	$	42,416

Note E. Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.

Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Center's perceived risk of that investment.

Note E. Fair Value Measurement (continued)

The Center's mutual fund investments are considered Level 1 investments with fair values of $1,276,304 as of June 30, 2020. The fair value of the mutual funds are determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date. The fair value of the exchange-traded funds are determined by the published closing price on the last business day of the fiscal year.

Note F. Property, Equipment, and Improvements

Property, equipment and improvements consist of the following as of June 30, 2020:

Leasehold improvements	$	980,741
Equipment		107,333
Website and software		51,792
Vehicles		50,897
Horses		40,660
Total depreciable assets		1,231,423
Accumulated depreciation		(751,005)
	$	480,418

Depreciation expense for the year ended ended June 30, 2020, amounted to $68,609.

Note G. Paycheck Protection Program Loan

In April 2020, the Center received a loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") (P.L. 116-136) Paycheck Protection Program (the "Program") in the amount of approximately $102,800. The loan bears interest at 1% per annum and matures May 2022. Monthly required principal payments of $5,789 commence December 2020 and continue through May 2022. All or a portion of the loan may be forgiven in accordance with the Program requirements, however, it is uncertain how much, if any, will be forgiven at this time.

Note H. Board Designated Net Assets

All general operating revenues and expenses related to the program activities of the Center are included in the change in net assets with donor restrictions. From time to time donations received without donor restrictions are designated by the Center's board of directors as board designated funds. The board designated funds consist of funds with no donor or legal restrictions, but through board resolutions have been set aside for specific purposes. As of June 30, 2020, $1,276,304 of net assets are board designated for operating reserves.

Note I. Operating Leases

The Center has an operating lease for office space. The office lease is a month-to-month lease with a monthly payment of $925. For the year ended June 30, 2020, the lessor has made a donation to the Center of a 50% monthly rent reduction.

The Center has an operating lease for the riding facility which expires in May 2024. The Center has one renewable option for five years each to extend the lease to May 2029. Lease payments are at $3,050 per month, increasing $50 per month on each anniversary date of the lease up to $3,250.

The Center leases various equipment with annual payments of $6,046, the leases expire in May 2024.

Future minimum rental payments for the years ending June 30 are as follows:

2021	$	41,294
2022		41,849
2023		42,494
2024		38,683
2025		-
	$	164,320

Note J. Subsequent Events

The Center evaluated subsequent events as of February 12, 2021 the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Center operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Center, the outbreak has negatively affected the Center's operations for the year presented as well as the period subsequent to year end through the issuance date of this report. The future impact of the outbreak is highly uncertain and cannot be predicted and therefore the Center cannot estimate the ultimate impact on future financial results.