

HAPPY TRAILS RIDING ACADEMY
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Happy Trails Riding Academy

We have audited the accompanying financial statements of Happy Trails Riding Academy (a nonprofit organization), which comprise the statements of financial position as of September 30, 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. 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 Happy Trails Riding Academy as of September 30, 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.

Rene, Pedroncelli & Aguilera, APC

Visalia, California
February 15, 2017

**HAPPY TRAILS RIDING ACADEMY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash	\$	162,330	\$ 238,440
Accounts Receivable		14,700	12,600
Grants Receivable		-	9,884
		<u>177,030</u>	<u>260,924</u>
PROPERTY AND EQUIPMENT, NET		<u>979,728</u>	<u>873,643</u>
TOTAL ASSETS		<u>\$ 1,156,758</u>	<u>\$ 1,134,567</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	-	\$ 13,835
Credit Cards Payable		2,511	3,316
Accrued Payroll		3,364	2,986
Line of Credit		11,800	-
		<u>17,675</u>	<u>20,137</u>
NET ASSETS			
Unrestricted			
Undesignated		987,099	947,899
Board Designated		120,705	100,000
Temporarily Restricted		31,279	66,531
		<u>1,139,083</u>	<u>1,114,430</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,156,758</u>	<u>\$ 1,134,567</u>

The accompanying notes are an integral part of these financial statements.

**HAPPY TRAILS RIDING ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Total	Total
SUPPORT						
Contributions	\$ 93,113	\$ 60,985	\$ 154,098	\$ 89,067	\$ 95,420	\$ 184,487
Grant Income	23,956	-	23,956	19,031	-	19,031
Donated Supplies and Services	42,433	-	42,433	39,277	-	39,277
Total Support	159,502	60,985	220,487	147,375	95,420	242,795
REVENUE						
Fundraising	170,344	-	170,344	161,709	-	161,709
Riders Fees	122,166	-	122,166	128,383	-	128,383
Hay Sales	-	-	-	-	-	-
Interest Income	337	-	337	396	-	396
Gain (Loss) on Sale of Assets	(4,155)	-	(4,155)	(1,997)	-	(1,997)
Hay Sales	-	-	-	2,949	-	2,949
Miscellaneous Income	833	-	833	2,904	-	2,904
TOTAL REVENUE	289,525	-	289,525	294,344	-	294,344
TOTAL SUPPORT AND REVENUE	449,027	60,985	510,012	441,719	95,420	537,139
NET ASSETS RELEASED FROM RESTRICTIONS	96,237	(96,237)	-	77,023	(77,023)	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	545,264	(35,252)	510,012	518,742	18,397	537,139

The accompanying notes are an integral part of these financial statements.

**HAPPY TRAILS RIDING ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016		2015		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily
		Restricted			Restricted
EXPENSES					
Program Services	\$ 330,187	\$ -	\$ 330,187	\$ 305,240	\$ -
Supporting Services					
Administrative	81,120	-	81,120	104,740	-
Fundraising	74,052	-	74,052	83,709	-
TOTAL EXPENSES	485,359	-	485,359	493,689	-
CHANGE IN NET ASSETS	59,905	(35,252)	24,653	25,053	18,397
NET ASSETS, Beginning of the Year	1,047,899	66,531	1,114,430	991,601	82,938
RECLASSIFICATION OF PRIOR YEAR NET ASSET BALANCES	-	-	-	34,804	(34,804)
PRIOR YEAR ADJUSTMENT	-	-	-	(3,559)	-
NET ASSETS, End of the Year	\$ 1,107,804	\$ 31,279	\$ 1,139,083	\$ 1,047,899	\$ 66,531
					\$ 1,114,430

The accompanying notes are an integral part of these financial statements.

**HAPPY TRAILS RIDING ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016			2015		
	Program Services	Support Services		Program Services	Support Services	
		Management and General	Fundraising		Management and General	Fundraising
Accounting	\$ 1,658	\$ 14,922	\$ -	\$ -	\$ 17,379	\$ 17,379
Advertising	8,012	-	-	9,959	-	9,959
Awards and Recognition	1,053	-	-	242	-	242
Bank Charges	-	619	-	-	289	289
Contract Labor	675	-	-	543	-	543
Depreciation	62,572	-	-	58,469	-	58,469
Dues and Subscriptions	2,806	-	-	2,526	-	2,526
Education	2,947	-	-	560	-	560
Employee Vehicle Expense	2,319	-	-	4,641	-	4,641
Farrier Services	4,760	-	-	4,390	-	4,390
Feed and Hay	15,112	-	-	18,349	-	18,349
Fundraising Expenses	-	34,873	-	-	43,434	43,434
Horse Expenses	10,489	-	-	14,422	-	14,422
Insurance - Health	15,584	-	-	7,704	2,142	12,946
Insurance - Property	6,364	707	-	4,692	-	9,384
Insurance - Worker's Comp	14,957	5,983	3,988	11,847	3,295	19,909
Interest Expense	-	144	-	-	155	155
Meals	1,172	-	1,172	-	2,768	2,768
Miscellaneous Expenses	-	3,324	-	-	4,671	4,671
Office Expenses	9,109	3,037	-	-	11,224	11,224
Payroll Tax Expenses	10,688	4,275	2,850	10,736	2,986	18,042
Postage and Delivery	511	510	-	-	967	967
Program Expenses	1,624	-	-	3,452	-	3,452
Repairs and Maintenance	14,025	-	-	15,718	-	15,718
Salaries and Wages	116,882	46,753	31,169	114,521	31,852	192,450
Taxes and Licenses	101	-	-	545	-	1,326
Telephone	3,386	846	-	-	3,550	3,550
Utilities	12,624	-	-	13,231	-	13,231
Vet Services and Supplies	10,757	-	-	8,693	-	8,693
TOTAL EXPENSES	\$ 330,187	\$ 81,120	\$ 74,052	\$ 305,240	\$ 104,740	\$ 493,689

The accompanying notes are an integral part of these financial statements.

**HAPPY TRAILS RIDING ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 24,653	\$ 43,450
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Depreciation	62,572	58,469
Prior Year Adjustment	-	(3,559)
Loss on Disposal of Assets	4,155	1,997
Donated Fixed Assets	(31,392)	-
Decrease in Grants Receivable	5,000	35,132
Decrease in Accounts Receivable	2,784	-
Increase (Decrease) in Accounts Payable	(14,640)	15,023
Increase (Decrease) in Accrued Expenses	378	(3,721)
Net Cash Flows Provided by Operating Activities	53,510	146,791
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(141,420)	(82,564)
Proceeds from Sale of Assets	-	10,000
Net Cash Used by Investing Activities	(141,420)	(72,564)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on Line of Credit	11,800	-
Net Cash Provided by Financing Activities	11,800	-
Net Increase (Decrease) in Cash	(76,110)	74,227
Cash- Beginning of Period	238,440	164,213
CASH- END OF PERIOD	\$ 162,330	\$ 238,440
SUPPLEMENTARY INFORMATION:		
Interest Paid	\$ 144	\$ 155

The accompanying notes are an integral part of these financial statements.

**HAPPY TRAILS RIDING ACADEMY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies

Nature of Activities

Happy Trails Riding Academy was incorporated in 1983 in California as a not-for-profit organization with the purpose of providing a therapeutic horsemanship program for persons with disabilities.

Happy Trails Riding Academy conducts its affairs under the management of an elected Board of Directors, a full-time Executive Director, a full-time salaried program director/instructor, a full-time instructor, a part-time administrator, a part-time maintenance person and various unpaid volunteers.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Property and Equipment

Equipment is depreciated using the straight-line method over the estimated useful life of 5 to 7 years. It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Maintenance and repairs are charged to expense as incurred. When property or equipment is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the year of sale or disposition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**HAPPY TRAILS RIDING ACADEMY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Happy Trails Riding Academy has received an exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, these statements do not reflect income taxes on earnings.

Advertising Costs

It is the policy of Happy Trails Riding Academy to expense advertising costs as they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents that have an original maturity of three months or less are considered cash equivalents. The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At September 30, 2016 and 2015 the Organization exceeded the insured limit by approximately \$-0- and \$10,403, respectively.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted revenues are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions.

Accounts Receivable

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management reviews accounts annually and charges receivables deemed uncollectible to current operations.

Grants Receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management reviews accounts annually and charges receivables deemed uncollectible to current operations.

**HAPPY TRAILS RIDING ACADEMY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies (Continued)

In-Kind Contribution and Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs but which do not meet the criteria for financial statement presentation.

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 15, 2017, and the date the financial statements were available to be issued.

2. Accounts Receivable

The Organization's accounts receivable consisted of the following at September 30:

	2016	2015
Tulare County Health and Human Services Agency	\$ 14,700	\$ 12,600

3. Grants Receivable

The Organization's grants receivable consisted of the following at September 30:

	2016	2015
United Way of Tulare County	\$ -	\$ 4,884
G for Kids	-	5,000
Grants Receivable	\$ -	\$ 9,884

**HAPPY TRAILS RIDING ACADEMY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

4. Property and Equipment

Property and equipment consisted of the following as of September 30:

	Balance 9/30/15	Additions	Deletions	Balance 9/30/16
Land	\$ 175,655	\$ -	\$ -	\$ 175,655
Land Improvements	284,091	123,093	-	407,184
Barn Construction	85,813	-	-	85,813
Fencing	117,595	28,269	-	145,864
Horses	57,500	12,000	10,000	59,500
Irrigation	30,045	9,450	-	39,495
Machinery and Equipment	79,145	-	5,000	74,145
Office Equipment and Computers	6,751	-	800	5,951
Portable Building	6,597	-	-	6,597
Riding Equipment and Tack	14,218	-	-	14,218
Therapy Room	216,730	-	-	216,730
Sensory Trail	61,384	-	-	61,384
Covered Arena	315,057	-	-	315,057
	<u>1,450,581</u>	<u>\$ 172,812</u>	<u>\$ 15,800</u>	1,607,593
Accumulated Depreciation	<u>576,938</u>	<u>\$ 62,572</u>	<u>\$ 11,645</u>	<u>627,865</u>
Net Property and Equipment	<u>\$ 873,643</u>			<u>\$ 979,728</u>

5. Line of Credit

The Organization has an unsecured line of credit with Valley Business Bank in the amount of \$100,000. Interest is payable monthly at bank index plus 1.25%. At September 30, 2016 and 2015 it was 4.25%. The balance at September 30, 2016 and 2015 was \$11,800 and \$-0-, respectively. The line of credit matures March 23, 2017.

**HAPPY TRAILS RIDING ACADEMY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

6. Compensated Absences

Regular full-time employees are paid one week and two weeks vacation after one year and two years continuous service, respectively. Salaried employees are paid two weeks and three weeks after one year and two years continuous service, respectively. As of September 30, 2016 and 2015, two employees qualified. It is management's opinion that accrued vacation pay is not significant and therefore, is not accrued at September 30, 2016 and 2015, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Net assets were temporarily restricted as of September 30th for the following projects:

	2016	2015
Scholarship Fund	\$ -	\$ 14,547
Wounded Warrior	303	2,302
Sensory Trail	1,618	686
Visalia Harley-Davidson	-	4,996
Farm Ground Project	-	1,992
Hay Barn	27,108	21,608
Property Fund	-	20,400
Well Project Fund	2,250	-
	\$ 31,279	\$ 66,531

8. Related Party Transactions

The Organization purchases hay from Rowley Hay Source, Inc., owned by the parents of the Executive Director of the Organization, however there is no formal agreement. The amount of hay purchased during the years ended September 30, 2016 and 2015 was \$12,428 and \$12,480, respectively.

9. Reclassifications

Certain reclassifications have been made to the prior period's financial statements in order to conform them to the classifications used for the current year. These reclassifications had no effect on reported change in net assets.