

HAPPY TRAILS RIDING ACADEMY  
REPORT OF AUDIT  
SEPTEMBER 30, 2019 AND 2018

HAPPY TRAILS RIDING ACADEMY

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SEPTEMBER 30, 2019 AND 2018

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# *Sciacca & Company*

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Happy Trails Riding Academy (a non-profit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and statements of 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.

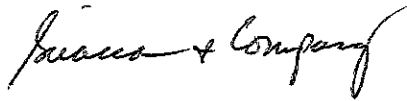
*Sciacca & Company*

CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, and the change 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.



Visalia, California  
January 20, 2020

HAPPY TRAILS RIDING ACADEMY  
 STATEMENTS OF FINANCIAL POSITION  
 SEPTEMBER 30, 2019 AND 2018

	<u>SEPTEMBER 30, 2019</u>	<u>SEPTEMBER 30, 2018</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 134,620	\$ 144,019
Accounts Receivable	13,650	13,700
Property and Equipment	<u>931,003</u>	<u>956,715</u>
TOTAL ASSETS	<u>\$ 1,079,273</u>	<u>\$ 1,114,434</u>
<b>LIABILITIES</b>		
Credit Card Payable	\$ 2,657	\$ 3,859
Line of Credit Payable	<u>-</u>	<u>5,000</u>
TOTAL LIABILITIES	<u>2,657</u>	<u>8,859</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Undesignated	951,275	971,354
Board Designated	113,065	115,275
Temporarily Restricted Net Assets	<u>12,276</u>	<u>18,946</u>
TOTAL NET ASSETS	<u>1,076,616</u>	<u>1,105,575</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,079,273</u>	<u>\$ 1,114,434</u>

See accompanying notes.

HAPPY TRAILS RIDING ACADEMY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
UNRESTRICTED NET ASSETS		
Unrestricted Revenues and Gains		
Contributions	\$ 22,101	\$ 52,047
Non-monetary Contributions	27,736	-
Fundraiser/Special Project Income	289,754	245,545
Rider Fees	113,150	121,989
Investment Income	128	125
Miscellaneous Income and Other Support	738	4,708
TOTAL UNRESTRICTED REVENUES AND GAINS	453,607	424,414
Net Assets Released from Restrictions	84,384	65,058
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	537,991	489,472
Expenses		
Program Services	355,291	334,548
Supporting Services		
Management and General	102,799	86,905
Fundraising	102,190	86,661
TOTAL EXPENSES	560,280	508,114
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(22,289)	(18,642)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and Grants		
Contributions	17,400	45,471
Grants	60,314	27,844
Net Assets Released from Restrictions	(84,384)	(65,058)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(6,670)	8,257
INCREASE (DECREASE) IN NET ASSETS	(28,959)	(10,385)
NET ASSETS AT BEGINNING OF YEAR	1,105,575	1,115,960
NET ASSETS AT END OF YEAR	\$ 1,076,616	\$ 1,105,575

See accompanying notes.

HAPPY TRAILS RIDING ACADEMY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND 2018

EXPENSES	SEPTEMBER 30, 2019				SEPTEMBER 30, 2018			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Management and General	Fundraising	Totals		Management and General	Fundraising	Totals
Accounting	\$ 1,172	\$ 10,548	\$ -	\$ 11,720	\$ 1,187	\$ 10,683	\$ -	\$ 11,870
Advertising and Marketing	7,328	-	-	7,328	6,130	-	-	6,130
Awards and Recognition	2,488	-	-	2,488	-	-	-	-
Bank Charges	-	450	-	450	-	987	-	987
Contract Labor	1,857	-	-	1,857	4,774	-	-	4,774
Depreciation	57,212	-	-	57,212	62,875	-	-	62,875
Dues and Subscriptions	2,826	-	-	2,826	4,169	-	-	4,169
Education	977	-	-	977	2,175	-	-	2,175
Employee Vehicle Expense	2,825	-	-	2,825	3,282	-	-	3,282
Farrier Services	7,220	-	-	7,220	6,305	-	-	6,305
Feed and Hay	9,548	-	-	9,548	5,806	-	-	5,806
Fundraising Expenses	-	-	66,370	66,370	-	-	51,014	51,014
Horse Expenses	7,867	-	-	7,867	5,323	-	-	5,323
Insurance - Health	9,016	-	-	9,016	13,085	-	-	13,085
Insurance - Property	6,707	745	-	7,452	6,551	728	-	7,279
Insurance - Worker's Compensation	8,656	4,190	1,742	14,588	12,306	4,149	2,740	19,195
Interest Expense	-	150	-	150	-	243	-	243
Meals	2,432	-	2,431	4,863	1,163	-	1,163	2,326
Miscellaneous Expense	-	4,690	-	4,690	-	9,174	-	9,174
Office Expense	12,864	4,288	-	17,152	11,449	3,339	-	14,788
Payroll Tax Expense	13,151	6,366	2,647	22,164	10,643	4,228	2,744	17,615
Postage and Delivery	707	706	-	1,413	717	717	-	1,434
Program Expenses	406	-	-	406	3,844	-	-	3,844
Repairs and Maintenance	22,075	-	-	22,075	23,809	-	-	23,809
Salaries and Wages	144,088	69,743	29,000	242,831	122,543	51,615	29,000	203,158
Taxes and Licenses	257	-	-	257	208	-	-	208
Telephone	3,692	923	-	4,615	4,170	1,042	-	5,212
Utilities	12,518	-	-	12,518	12,918	-	-	12,918
Vet Services and Supplies	17,402	-	-	17,402	9,116	-	-	9,116
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 355,291</b>	<b>\$ 102,799</b>	<b>\$ 102,190</b>	<b>\$ 560,280</b>	<b>\$ 334,548</b>	<b>\$ 86,905</b>	<b>\$ 86,661</b>	<b>\$ 508,114</b>

See accompanying notes.

HAPPY TRAILS RIDING ACADEMY  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>SEPTEMBER 30,</u> <u>2019</u>	<u>SEPTEMBER 30,</u> <u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (28,959)	\$ (10,385)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	57,212	62,875
Decrease (Increase) in Accounts Receivable	50	1,902
Increase (Decrease) in Accounts Payable	(1,202)	2,035
Net Cash Provided (Used) by Operating Activities	<u>27,101</u>	<u>56,427</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loss on Disposal of Assets	-	-
Donated Fixed Assets	-	-
Acquisition of Property and Equipment	(31,500)	(50,314)
Net Cash Provided (Used) by Investing Activities	<u>(31,500)</u>	<u>(50,314)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on Line of Credit	-	5,000
Payments on Line of Credit	(5,000)	(10,000)
Net Cash Provided (Used) by Financing Activities	<u>(5,000)</u>	<u>(5,000)</u>
Net Increase (Decrease) in Cash	(9,399)	1,113
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>144,019</u>	<u>142,906</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 134,620</u>	<u>\$ 144,019</u>

See accompanying notes.



HAPPY TRAILS RIDING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Happy Trails Riding Academy is a non-profit organization, which was formed in 1983 as part of a vision of providing a therapeutic horsemanship program for persons with disabilities in and around Tulare County. The organization was incorporated and obtained recognition of its non-profit status as the first step in achieving this vision. 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.

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d and, therefore, has no provision for either state or federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509.

Basis of Accounting - The financial statements of Happy Trails Riding Academy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation - Happy Trails Riding Academy has adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, 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) based upon the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a Statement of Cash Flows.

HAPPY TRAILS RIDING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Happy Trails Riding Academy has also adopted SFAS No. 116 "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

It is Happy Trails Riding Academy's policy to report donor-restricted contributions whose restrictions are met in the same reporting period as temporarily restricted support.

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. Actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of providing the various programs, activities and fundraisers have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HAPPY TRAILS RIDING ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019 AND 2018

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2019 and 2018 consisted of the following:

	September 30, 2019	September 30, 2018
Citizens Business Bank Checking	\$ 8,661	\$ 9,798
Citizens Business Bank Savings Account	125,459	134,221
Petty Cash	500	-
	\$ 134,620	\$ 144,019

Cash and cash equivalents that mature in three months or less are considered cash equivalents.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment are stated at cost when purchased and estimated market value if donated. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Happy Trails Riding Academy follows the practice of capitalizing all expenditures for equipment and furnishings in excess of \$500. Lesser amounts may be capitalized if their lives extend beyond 5 years. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets generally as follows: Buildings – 39 years, Improvements – 15 years, Furniture and Fixtures – 7 years, and Office Equipment – 5 years.

NOTE 4: NON-MONETARY (IN-KIND) DONATIONS

The value of non-monetary or in-kind donations/benefits recognized in the financial statements for the years ended September 30, 2019 and 2018 is \$27,736 and \$0 respectively. Paid staff, volunteer Board of Directors and various volunteer committees are responsible for the day-to-day operations, and volunteers in many capacities are partially responsible for completing the tasks required to fulfill the tax-exempt purpose. The value of the volunteer services is not recorded in the financial statements because it does not meet the requirements of SFAS No. 116.

HAPPY TRAILS RIDING ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019 AND 2018

NOTE 5: TEMPORARILY RESTRICTED 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 30, 2019 and 2018 for the following projects.

	September 30, 2019	September 30, 2018
Wounded Warrior	\$ 4,521	\$ 3,521
Sensory Trail	4,100	1,270
Property Account	-	12,500
Well Project	3,655	1,655
	\$ 12,276	\$ 18,946

NOTE 6: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, January 20, 2020. No subsequent events were recognized as reportable. Subsequent events after that date have not been evaluated.

NOTE 7: CLASSES OF NET ASSETS

The financial statements report amounts separately by classes of net assets:

*Unrestricted* net assets are those currently available for operating purposes under the direction of the Board, those designated by the Board for a specific use and those invested in fixed assets.

*Temporarily Restricted* net assets are those contributed with donor stipulations for specific operating purposes or programs. They are not currently available for use in the operations until commitments are met.

HAPPY TRAILS RIDING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

NOTE 8: INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended September 30, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 9: COMPENSATED ABSENCES

Regular full-time employees are paid one week of vacation after one year of service and two weeks of vacation after two years of continuous service. Salaried employees are paid two weeks of vacation after one year of service and three weeks of vacation after two years of continuous service. It is management's opinion that unpaid and accrued vacation pay is not significant or material and, therefore, is not accrued at September 30, 2019 and 2018.

NOTE 10: RELATED PARTY TRANSACTIONS

The Organization purchases hay from Rowley Hay Source, Inc., owned by the parents of the Executive Director of the Organization. There is no formal purchase agreement. The amount of the hay purchased during the years ended September 30, 2019 and 2018 was \$0 and \$3,040 respectively.

NOTE 11: LINE OF CREDIT

The Organization has an unsecured line of credit with Citizen's Business Bank in the amount of \$100,000. Interest is payable monthly at bank index plus 2.25%. At September 30, 2019 and 2018 it was 6.00% and 6.00% respectively. The balance owed at September 30, 2019 and 2018 was \$0 and \$5,000 respectively. The line of credit matures March 23, 2020.

HAPPY TRAILS RIDING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

NOTE 12: DEPRECIATION AND ACCUMULATED DEPRECIATION

The statements of financial position report property and equipment at original cost less accumulated depreciation taken through the end of the associated fiscal year. The original cost basis, accumulated depreciation amounts and current year depreciation expense for the various classes of assets reported in the statements of financial position are shown below.

<u>ASSET CLASS</u>	<u>COST BASIS 9/30/2018</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>COST BASIS 9/30/2019</u>
Land	\$ 175,655	\$ -	\$ -	\$ 175,655
Land Improvements	407,184	-	-	407,184
Barn Construction	175,295	-	-	175,295
Fencing	145,864	-	-	145,864
Horses	67,500	-	1,000	66,500
Irrigation System	39,495	-	-	39,495
Machinery and Equipment	74,495	21,250	-	95,745
Office Equipment	5,951	4,500	-	10,451
Portable Building	6,597	-	-	6,597
Riding Equipment and Tack	15,718	5,750	-	21,468
Therapy Room	216,730	-	-	216,730
Sensory Trail	61,384	-	-	61,384
Covered Arena	315,057	-	-	315,057
Totals	<u>\$ 1,706,925</u>	<u>\$ 31,500</u>	<u>\$ 1,000</u>	<u>\$ 1,737,425</u>
Accumulated Depreciation	<u>750,210</u>	<u>57,212</u>	<u>1,000</u>	<u>806,422</u>
Net Property and Equipment	<u>\$ 979,728</u>			<u>\$ 931,003</u>