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STABLE-SPIRIT

FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Stable-Spirit
295 Flamingo St
Rose City, TX 77662

We have reviewed the accompanying financial statements of Stable-Spirit (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity 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 AICPA. 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.

Lawrence, Blackburn, Meek, Maxey & Co., P.C.

Beaumont, TX
March 13, 2020

STABLE-SPIRIT
STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 55,092
Accounts receivable	2,283
Other assets	379
Prepaid expenses	1,084
	58,838
Total current assets	58,838

PROPERTY AND EQUIPMENT:

Horses	18,850
Buildings	4,000
Office equipment and furniture	2,664
Machinery and equipment	24,927
Total property and equipment	50,441
Less: accumulated depreciation	(25,095)
Net property and equipment	25,346

TOTAL ASSETS	\$ 84,184
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued expenses	\$ 224
Current portion of long term debt	4,446
Total current liabilities	4,670

LONG-TERM LIABILITIES:

Note payable - Kubota, net of current portion	8,152
Total long-term liabilities	8,152

NET ASSETS:

Net assets without donor restrictions	71,362
Total net assets	71,362

TOTAL LIABILITIES AND NET ASSETS	\$ 84,184
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The accompanying notes are in integral part of these financial statements.

STABLE-SPIRIT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND GAINS:			
Service revenue	\$ 31,426	\$ -	\$ 31,426
Contributions	21,352	-	21,352
Grants	1,500	65,828	67,328
Fundraising income	41,076	-	41,076
Interest	7	-	7
Other income	22,699	-	22,699
Net assets released from restrictions	<u>65,828</u>	<u>(65,828)</u>	<u>-</u>
 Total Revenues	 <u>183,888</u>	 <u>-</u>	 <u>183,888</u>
EXPENSES:			
Program expenses	145,962	-	145,962
Management and general	20,146	-	20,146
Fundraising	<u>11,793</u>	<u>-</u>	<u>11,793</u>
 Total Expenses	 <u>177,901</u>	 <u>-</u>	 <u>177,901</u>
 Change in net assets	 5,987	 -	 5,987
 Net assets as of beginning of year	 86,929	 -	 86,929
 Prior period adjustment for depreciation	 <u>(21,554)</u>	 <u>-</u>	 <u>(21,554)</u>
 Net assets as of end of year	 <u>\$ 71,362</u>	 <u>\$ -</u>	 <u>\$ 71,362</u>

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

STABLE-SPIRIT
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Advertising and marketing	\$ 4,533	\$ -	\$ -	\$ 4,533
Computer and internet	-	-	1,093	1,093
Contract services	58,579	-	7,608	66,187
Depreciation	3,541	-	-	3,541
Dues and subscriptions	-	-	250	250
Equine expenses	54,260	-	-	54,260
Insurance	-	-	2,223	2,223
Miscellaneous	1,291	-	1,703	2,994
Occupancy	3,603	-	35	3,638
Postage and shipping	-	-	280	280
Professional fees	-	-	280	280
Rent	4,200	-	-	4,200
Repairs and maintenance	13,882	-	-	13,882
Supplies	2,073	11,793	4,240	18,106
Telephone	-	-	884	884
Training	-	-	1,550	1,550
Total functional expenses	<u>\$ 145,962</u>	<u>\$ 11,793</u>	<u>\$ 20,146</u>	<u>\$ 177,901</u>

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

STABLE-SPIRIT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 5,987
Adjustments to reconcile change in net assets to net cash provided by operation activities:	
Depreciation & Amortization	3,541
In-kind contributions	(1,000)
(Increase) decrease in:	
Accounts receivable	2,145
Prepaid expenses	723
Other current assets	(317)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>4,018</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>15,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(2,458)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,458)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes	<u>(4,446)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,446)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	8,193
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>46,899</u>
End of year	<u><u>\$ 55,092</u></u>

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

STABLE-SPIRIT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization

Stable-Spirit (the Organization) is a nonprofit organization providing Equine Assisted Growth and Learning Association (EAGALA) services; such as Equine-Assisted Psychotherapy (EAP) to youth and adults with a special interest in providing mental health services to people experiencing the effects of crime, crisis, trauma, and other issues that may put them at risk. They also provide Equine Experiential Development (EED) to youth and adults with a special interest in providing skills building services to people wanting to improve their self-confidence, trust, and listening skills; learn better problem solving, team building, or communication skills. Another modality that is provided at Stable-Spirit is Hippotherapy; where individuals with special needs ride the horse, with their Physical, Speech or Occupational Therapist present, to assist in Genetic, Neurological, or Sensory Processing Disorders; Musculoskeletal, Speech, or Communication Dysfunctions; or Balance Difficulties. A third modality offered is Therapeutic Riding, which is teaching those with a disability to ride the horse.

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, and accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in accordance 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.

Basis of Presentation

Accounting principles generally accepted in the United States of America requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in banks and all highly-liquid investments with a maturity of three months or less to be cash and cash equivalents.

STABLE-SPIRIT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Accounts Receivable

Accounts receivable represent amounts due from customers for services provided. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Furniture and Equipment

Furniture and equipment with estimated useful lives greater than one year are recorded at cost if purchased or fair market value if donated. Depreciation is determined on the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. Depreciation expense for the year ended December 31, 2019 was \$ 3,541.

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in the organization's management and fundraising. No amounts have been recognized in the statement of activities for donated services because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Revenue Recognition

The Organization recognizes revenues from equine therapy services as the services are provided to the customer.

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Functional Expenses

The costs of providing various programs and other activities 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.

Advertising

The Organization expenses the costs of advertising as incurred.

STABLE-SPIRIT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Tax Status

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509 (a) of the code.

The Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification 740 regarding uncertain income tax positions on unrelated trade or business income. With respect to unrelated business activities in accordance with FASB ASC No. 740, the Organization evaluates its income tax positions each year to determine whether the Council's tax position is more likely than not to be sustained if examined by the applicable taxing authority. For the year ended December 31, 2019, the Organization has determined it did not have a material tax liability for uncertain tax positions.

Recently issued accounting standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes terminology used to describe categories of net asset classification, adds new disclosures about liquidity and availability of resources, and expands disclosures related to functional allocation of expenses. The Organization adopted the provisions of this new standard during the year ended December 31, 2019.

Availability and liquidity

The Organization's financial assets available to meet general expenditures within one year includes cash and cash equivalents. At December 31, 2019, these financial assets available to meet general expenditures within one year totaled \$57,375. The Organization's liquidity goal is generally to maintain current financial assets at a minimum of 90 days of operating expenses.

NOTE 2 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 13, 2020, the date which the financial statements were available to be issued.

STABLE-SPIRIT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2019

NOTE 3 - NOTES PAYABLE

Note payable at December 31, 2019 consist of the following:

Note payable to Kubota of \$22,232, with zero percent interest, payable in 60 monthly installments of \$371, with the final payment due October 12, 2022. The note is secured by equipment financed.

	\$	12,598
Less current maturities		(4,446)
Total note payable less current maturities	\$	<u>8,152</u>

Aggregate maturity of note payable at December 31, 2019, are as follows:

Year Ending December 31,		
2020	\$	4,446
2021	\$	4,446
2022		3,706
	\$	<u>12,598</u>

NOTE 4 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, it was discovered that depreciation had not been recorded for prior periods. As a result, the Organization had to adjust net assets without donor restrictions for prior years depreciation. The total amount of the adjustment to net assets without donor restrictions was \$21,554.